Institutional entrepreneurship and field dynamics in the movement towards financial shared service centres and beyond

Muhammad Kaleem Zahir-ul-Hassan, Nijmegen School of Management, Radboud University Nijmegen, the Netherlands (k.hassan@fm.ru.nl)
Ed. Vosselman, Nijmegen School of Management, Radboud University Nijmegen, the Netherlands (e.vosselman@fm.ru.nl)

Purpose: To develop a theoretical framework for understanding the drivers and mechanisms of change (change process) towards and beyond financial shared service centres (FSSCs).

Design / Methodology / Approach: The paper reviews extant accounting and control literature which draws upon new institutional theories. Moreover, informed by institutional theory it develops a framework for analyzing the movement towards financial shared service centres and beyond.

Findings: A model for the understanding of changes towards innovative organizational designs. The model takes the multi-level design and social construction of innovations into account.

Originality / Value: This framework contributes to the extant research in changes in management accounting and control drawing upon institutional perspectives. It draws attention towards the process of design (at an organizational level) and construction (at a field level) of accounting innovations.

Key words: Transaction Cost Economics (TCE), New Institutional Sociology (NIS), Financial Shared Service Centres (FSSCs), Organizational change, Institutional entrepreneurs

Paper Type: General review / conceptual paper

1-Introduction

The aim of this paper is to develop a theoretical framework for studying the emergence and development of ‘new’ organizational designs such as Financial Shared Service Centres (FSSCs). FSSCs are organizational designs through which the accounting and finance functions in an organization are handed over to an accountable and semi-autonomous service unit within that organization in order to obtain efficient, professionalized and quality services at the one hand and to enable business units to focus on their core operations at the other hand. An important aim of the FSSC-construct is to bring cost consciousness and quality within an organization. Not only is the FSSC concept applicable to a big company having several business units or subsidiaries, it could also be worthwhile for two or more independent companies to pool resources and make a shared FSSC. In this way they too could focus on core functions and get high quality, cost effective, professional accounting and finance services (see section 2 for FSSCs).

The questions to be answered are why and how the FSSCs are designed, socially constructed and adopted, and why and how the management control of more concentrated accounting activities changes. The framework to be developed aims to answer these questions against the background of economic, social and political forces. Essentially, it
tries to capture the drivers and mechanisms of change (change process) underlying the movement towards FSSCs.

From a theoretical point of view the paper adds to extant research in the area of accounting change. More specifically, it adds to our knowledge on accounting and control change that draws on various branches of institutional theory, particularly new institutional theory. A number of authors have discussed (changes in) accounting and control archetypes or templates by using insights from transaction cost economics (TCE) - a branch of new institutional economics (NIE) (Speklé, 2001; Van der Meer-Kooistra & Vosselman, 2000, Vosselman, 2002 and Vosselman & Van der Meer-Kooistra, 2006). Others have drawn upon old institutional economics (OIE) (e.g; Burns & Scapens, 2000; Soin et al, 2002). Management accounting is then conceived as a routine, and a potentially institutionalized, organizational practice and change is processual of nature (Burns & Scapens, 2000). Many accounting researchers have pointed towards the potentials of important notions and concepts in new institutional sociology (NIS) to the understanding of accounting and control changes. These concepts include the technical vis-à-vis the social, efficiency vis-à-vis legitimacy, decoupling, power & politics; and strategic choice and institutionalization processes in the field of accounting (Covaleski et al., 1993; Carruthers, 1995; Abernethy & Chua, 1996; Chua & Mahama 2007; Dirsmith 2007). The negotiating and political role of budgets and decoupling as an appropriate response in loosely coupled systems (Covaleski & Dirsmith, 1983) and the use of budgets for external legitimacy and imagery and its effects on internal operations and mode of control were explored (Covaleski & Dirsmith, 1986). Furthermore, institutional pressures to adopt and further design novel templates of management control and strategic responses to such pressures have been studied (Abernethy & Chua, 1996). Similarly, institutional pressures in the adoption and further design of activity based costing (Malmi,1999) and the interaction between societal expectations and organizational practice have been studied along with displaying how accounting may portray a technical rationality to external constituents and the change may involve political processes (Covaleski & Dirsmith, 1988). Moreover, some accounting studies describe the role of power in institutionalization processes and institutionalization of organizational practices due to institutional pressures (Covaleski, Dirsmith & Michelman, 1993).

Recently, there have been some important developments in NIS especially related to the concept of institutional entrepreneurship (i), which offer possibilities for a more comprehensive explanation of the movement towards FSSCs and related changes in management controls. By exploring the concept of institutional entrepreneurship we aim to extend the analysis from institutional adaptation (at the individual organizational level) and institutional diffusion (at the interorganizational field) towards institutional design (in the individual organization) and collective action (at organizational field level) (Hargrave & Van de Ven, 2006). Finally we want to respond to calls from different corners (e.g; Hopper & Major, 2007; Lounsbury, 2007) for more extensively combining a new institutional perspective with other theoretical perspectives. This adds to the work of others who use combined perspectives, such as new institutional sociology, sociology of professions and structuration theory (Dirsmith, Heian & Covaleski, 1997); new institutional theory and resource dependency theory (Abernethy & Chua, 1996 and Carpenter & Feroz, 2001); OIE and TCE (Covaleski, Dirsmith & Samuel, 2003); NIS and
structuration theory (Dillard, Rigsby & Goodman, 2004); NIS and OIE (Siti-Nabiha & Scapens, 2005) and NIS and actor network theory (ANT) (Hopper & Major, 2007).

The remainder of the paper is organized as follows. Section 2 gives a brief description of the construct of FSSC. Section 3 provides for a brief review of accounting research done by using insights from new institutional theory; from new institutional economics as well as from new institutional sociology. After the review, a theoretical framework will be designed and discussed in section 4. Then the final section will give future plans to conduct field research by using the framework discussed in this paper along with a likely methodology for such a field research.

2-Shared Service Centres (SSCs): Financial Shared Service Centres (FSSCs) and Beyond (Outsourcing)

Globalization processes, increasing competition, empowerment of customers and the strengthening of knowledge requirements have influenced the changes in organizational forms (Van der Meer-Kooistra & Vosselman, 2006, p.227) and the Shared Service Centre (SSC) is one of such instances. A SSC is a separate and accountable semi-autonomous unit within an (inter)organizational entity, used to bundle activities and provide specific pre-defined services to the operational units within that (inter)organizational entity, on the basis of agreed conditions (Jansen & Joha, 2006, p.102,103). The SSC is a collaborative strategy in which existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings and improved service for the internal customers of the parent corporation (Bergeron, 2003). The desirability of cost savings is not the only motive in the adoption of SSCs. Other motives include the demands for increased service levels, focus on core business, more transparency of costs, standardization of processes and systems, elimination of redundant functions, better co-ordination of activities and exercising control over functions as opposed to outsourcing (Janssen & Joha, 2006).

A SSC has many prominent features. A SSC is a rather autonomous unit within the boundaries of an organization that ‘transacts’ with other units in the organization. It offers standardization, specialization and core competence in non-core functions and as such it provides economies of scale in such functions. It enables other units to focus on their core activities. The transactions between the SSC and the other organizational units might develop into internal client supplier relationships, governed by ‘service level agreements’ in which transfer prices play important roles (Ulbrich, 2003).

The concept of SSCs has been around for quite some time and it has originated in the USA. It has been observed that more than 30% of U.S. Fortune 500 companies have implemented a shared service centre, reporting cost savings in their general accounting functions of up to 45% (ScottMadden, Inc, SSON-2007). DuPont, Tetra Pak, Proctor & Gamble, Reuters, Unilever and Coca-Cola Enterprises are notable examples which have implemented the SSCs (SSON, 2005, 2006). SSC practice has also been observed in the public sector. For instance, NHS (National Health Services) Shared Business Services provides finance, accounting and payroll services to NHS organizations in UK. It is a joint venture between the Department of Health UK and Xansa (a private sector company, see web address in notes (ii)).
Bangemann (2005) summarizes the reasons for setting up an FSSC in 2000, 2001 and 2005 along with decision factors for the set up of finance SSC are as follows:

**Major Reasons for SSC (Bangemann, 2005)**

<table>
<thead>
<tr>
<th>Reasons</th>
<th>2000 (%)</th>
<th>2001 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better service, improvement in quality, accuracy, timeliness of information</td>
<td>69</td>
<td>53</td>
</tr>
<tr>
<td>Reduction of general administration costs</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>Standardization of services</td>
<td>15</td>
<td>48</td>
</tr>
<tr>
<td>Optimization of working capital</td>
<td>-</td>
<td>42</td>
</tr>
</tbody>
</table>

**Current main reasons for an existing or planned FSSC (Bangemann, 2005)**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of general administration costs</td>
<td>79%</td>
</tr>
<tr>
<td>Improve service and quality, accuracy and timeliness</td>
<td>69%</td>
</tr>
<tr>
<td>Reduce headcount and salary/wages</td>
<td>64%</td>
</tr>
<tr>
<td>Group similar tasks and expertise for critical mass</td>
<td>61%</td>
</tr>
<tr>
<td>Standardization of services</td>
<td>44%</td>
</tr>
<tr>
<td>Simplify roll-out and IT systems support</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Decision factors for the set up of a FSSC (Bangemann, 2005)**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Important factor in the decision (%)</th>
<th>Single most important factor (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process cost savings</td>
<td>32</td>
<td>42</td>
</tr>
<tr>
<td>Improved productivity</td>
<td>71</td>
<td>10</td>
</tr>
<tr>
<td>Improved process quality</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td>Improved customer satisfaction</td>
<td>56</td>
<td>0</td>
</tr>
</tbody>
</table>

A FSSC might be adopted either for operations dispersed in a country or operations in several countries. In case of operations across the borders, it may be good to have a FSSC
for each region, for instance a European and a West European FSSC, an Asian and an
East Asian FSSC. Nevertheless, political, regulatory, cultural, economic, and other
factors might, of course, be important in the adoption decision. Moreover, it is also
possible to have a FSSC for all the accounting and finance operations or a FSSC for some
parts or processes of the entire accounting and finance function, such as fixed assets,
accounts receivable and accounts payable. It may also be the case that some organizations
have partial outsourcing, partial concentration in a FSSC and partial dispersion across
business units (BUs). It may be supportive for a company, already having a FSSC, to
make an effective decision for outsourcing due to a comparatively clear picture of its
operations. In this regard, there could be two routes to outsourcing. The first one is from
a FSSC to outsourcing and the second one is direct outsourcing without implementing
FSSC. This does not mean that a company must opt for outsourcing after adopting a
FSSC. To an organization, the FSSC might also be a rather stable solution. But it is
possible that the company decides for outsourcing after FSSC if it deems fit.

Figure 1 is a simple structure of FSSC:

![Diagram of FSSC and Outsourcing](image)

**Figure-1 (FSSC or Outsourcing)**

Figure-1 shows that there may be two options for an organization (with different BUs) or
a group of organizations; either a FSSC or outsourcing. There is a possibility that after
the adoption of a FSSC the organization finds it more suitable to opt for outsourcing.
Existence of a FSSC may be more helpful in deciding for outsourcing due to combined
knowledge of operations of the entire organization. In other words, adoption of a FSSC
may be intended to consider outsourcing in the long run.
3-Accounting Literature and Institutional Theories

This paper wants to build a theoretical framework for the understanding of the emergence and development of FSSCs, drawing on insights from new institutional theory. Related to accounting and control change, this section reviews relevant new institutional theory. Following suggestions made by several authors (Covaleski et al., 1993; Carruthers, 1995; Dirsmith, 2007), we particularly explore issues related to efficiency and legitimacy, coupling and decoupling, and institutionalization processes.

i- Efficiency and Legitimacy

Transaction Cost Economics

Efficiency as a concept is paramount in new institutional economics, particularly transaction costs economics. Origins of TCE stem from Coase’s (1937) work on the determinants of the boundaries of the firm and prominent work has been done by Williamson (1979, 1985, 1992, 1996, 2000). This theory describes the coordination of transactions between and within organizations. TCE provides for the question why some transactions take place in firms and others in a market or in a hybrid arrangement. Related to FSSCs, this question could be translated into why some accounting transactions take place in business units and others in a market (outsourcing) or between business units and FSSCs (a hybrid arrangement). TCE responds to the assumption of zero transaction costs in neoclassical economic models (Hira & Hira, 2000). It assumes that markets are efficient governance structures at the outset (Williamson, 1975), and the existence of alternative governance arrangements is explained by transaction costs (Vosselman & Van der Meer-Kooistra, 2006). Critical features of efficient governance include three dimensions of transactions and two behavioral assumptions. The dimensions of transactions are the frequency of transactions, uncertainty and asset specificity. These dimensions influence the transaction costs and, thus, the choice of the governance structure. The behavioral assumptions are bounded rationality and opportunism. Bounded rationality is less than perfect rationality, as people experience limitations in their knowledge and their information processing capabilities, leading to the impossibility of making optimal decisions. The boundedly rational actors may behave opportunistically: given the opportunity they are occasionally inclined to serve their own interests by using forms of trickery and deceit.

In sum, the transaction costs of market transactions are not only caused by bounded rationality linked up with uncertainty, but also by potential opportunistic behavior of boundedly rational actors. Opportunism is related to asset specificity which in turn enhances interdependence and weakens the pressures for exit threats. An individual party may take advantage of the relationship and transfer transaction cost to the other party (Vosselman & Van der Meer-Kooistra, 2006).

So, as per TCE, it is the nature of transactions and the associated transaction costs that are of prime importance. It takes transactions as the primary unit of analysis and argues that transactions would be co-coordinated in a firm or market or any other organizational arrangement depending on the minimization of the sum of production costs and transaction costs. Transaction costs include costs of writing contracts, supervision costs, costs associated with opportunistic behavior and costs of investment in specific assets (Van der Steen, 2006). In other words, from a TCE-perspective, efficiency (reduction of costs) is the driving force behind a change towards FSSCs and beyond. It is assumed that
decision makers in organizations consciously opt for a comparatively efficient form. Therefore, a TCE-explanation of a change towards a FSSC or beyond is an intentional explanation. An FSSC is explained as a result of intentional rational decision making by an individual actor. The actor shows efficiency-seeking behaviour (Vosselman & Van der Meer-kooistra, 2006). The actor striving for efficiency chooses a template with the lowest sum of production costs and transaction costs; either FSSC or outsourcing or any other form.

However, there is a competitive explanation for the change towards new organizational designs such as FSSCs. New institutional sociology suggests that the change towards an FSSC is the result of legitimacy-seeking behavior (Vosselman & Van der Meer-kooistra, 2006).

New Institutional Sociology (NIS) \(^{(iii)}\)
Institutions are ‘rules, norms and beliefs that describe reality for the organization, explaining what is and is not, what can be acted upon and what cannot’ (Hoffman, 1999, p.351). NIS suggests that the organizations adopt new institutional designs in order to conform to societal or institutional requirements and, thus, to become legitimate. Legitimacy is ‘a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (Suchman, 1995, p.574). The legitimacy brings support and acceptability in society. Since many organizations in a specific field or sector try to become legitimate, this results in isomorphism, that is, the similarity (of any type) in several organizations. Isomorphism may be coercive (due to dependency or legislative requirements or cultural expectation in the society), mimetic (copying the successful companies in uncertainty) or normative mechanisms (pressures from professionalism) (DiMaggio and Powell, 1983, Powell & DiMaggio, 1991). These three types of isomorphism are associated with three pillars of NIS that constrain behavior, namely, regulative, normative and cognitive pillars. The regulative pillar directs action through coercion and threat of formal sanction, the normative pillar supports action through norms of acceptability, morality and ethics and the cognitive pillar guides action through the very categories and frames by which actors know and interpret their world (Scott, 1995). However, more than one isomorphic pressure may be operating simultaneously and potencies of institutional pressures may change over time as a result of constantly changing endogenous (e.g key decision maker’s norms, values and unconscious conformity to traditions like ideology, motivation, competence and professionalism at the individual level and shared belief systems, power and politics at the organizational level) and exogenous factors (e.g; regulatory pressures, public pressures, professional norms and values at the organizational field level) (Carpenter & Feroz, 2001). This is not to suggest that a decision guided by legitimacy considerations is non-rational (or mimicry without any logic). It is based on institutional rationality, on rationalized myths which refer to broader cultural beliefs and rules that structure cognition and guide decision making in the field (Lounsbury, 2007), as opposed to individual rationality as it is proclaimed in economics. The organizations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival capabilities (Meyer & Rowan, 1977, p.352).
Therefore, an alternative explanation for the change towards new organizational designs could be informed by NIS that states that individual behavior is primarily governed by external institutions and driven by a desire to increase the legitimacy of oneself and the organization in which one works (Van der Steen, 2006, p.29). This supports another proposition, namely, that the adoption decision may be based on legitimacy reasons. The tendency of different organizations to adopt a new organizational design like FSSC in practice may be due to institutional isomorphism occurring through coercive, mimetic or normative mechanisms (DiMaggio and Powell, 1983). And such isomorphism does not necessarily mean arational mimesis (Lounsbury, 2007).

Critics have stated that TCE provides for an under-socialized account (it gives too little emphasis to social relations or embeddedness) whereas NIS provides for an over-socialized perspective (it pays too much attention to social relations or embeddedness) (Granovetter, 1985). Therefore, models that combine both institutional perspectives might have the potential to provide more balanced explanations. Moreover, it has also been said (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983) that there is a tendency of early adoptions of organizational designs to be driven by technical (efficiency) rather than legitimacy considerations. However, this dichotomy (technical versus institutional) has been criticized by contemporary institutional scholars because they posit that technical considerations are institutionally embedded (Lounsbury, 2007). At least to some degree, organizations are embedded in both relational and institutionalized contexts and have to manage the demands of internal and boundary spanning relations as well as ceremonial demands of highly institutionalized environments (Meyer & Rowan, 1977).

Roberts & Greenwood (1997) have incorporated both efficiency and legitimacy aspects in a Constrained Efficiency Framework for organizational design adoption. According to them, the full value of the constrained-efficiency framework hinges on its ability to deliver empirically valid insights about organizational design adoption (p.852). Hence, the constrained efficiency framework is also an input to our theoretical framework. Roberts and Greenwood have integrated TCE and NIS and argue that organizations are efficiency seeking under cognitive and institutional constraints, as opposed to efficiency optimizing.

The above discussion suggests that both efficiency and legitimacy are important when studying the adoption of a new organizational design such as an FSSC. Therefore, both institutional economics and institutional sociology have the potential be an input to this framework. While Roberts and Greenwood (1997) combine human agency with institutional constraints, thus incorporating the social influence in economic reasoning, recent developments in NIS and accounting have emphasized ‘institutional entrepreneurship’, thus incorporating a more human agency in institutional reasoning. Furthermore, Chua & Mahama (2007, p.49) in their study of effects of network ties on accounting controls in a supply alliance, argue that dichotomization of organizational controls into “technical” and “social” controls and the depiction of management accounting as a form of “technical” only can be misleading. Both efficiency and legitimacy considerations operate in practice and they are not mutually exclusive (Hopper & Major, 2007). The institutional and market forces may not be dichotomous but rather complementary (Tsamenyi et al. 2006). In other words, legitimacy and efficiency may be intertwined (Hopper & Major, 2007). Furthermore, the social may create or construct the economic and actors may use efficiency as a means of attaining social legitimacy.
(Hopper & Major, 2007). However, it is also important to point out that efficiency is a social construct and what is efficient is also a product of socially constructed categories and institutionalized assumptions about the world (Dobbin, 1994; Suddaby & Greenwood, 2008)

**ii- Coupling and Decoupling**

Another important issue related to gaining legitimacy is whether the adoption of new practices, designs or systems actually changes the internal operations or whether it only becomes a ritualistic or symbolic representation to the outside world. Sometimes organizations may adopt a new practice or control system in order to gain legitimacy but such a practice or control system may not become integrated with the internal operations. This situation is called decoupling.

Assuming interconnectedness in modern society and the prevalence of institutional isomorphism, organizations may either face no conflict between efficiency and legitimacy (as suggested by the study of Hopper & Major, 2007) or experience a conflict between efficiency and legitimacy. A possibility of conflict may be due to the fact that institutional rules (categorical rules) exist at high levels of generalization whereas technical activities vary with specific, unstandardized and possible unique conditions (Meyer & Rowan, 1977). Another explanation of conflict may be that inconsistency may exist among institutionalized elements because the institutional environment is pluralistic (Meyer & Rowan, 1977). When institutional and technical demands collide it would be interesting to see how organizations struggle to link the institutional to the technical or operational, and how they link inconsistent ceremonial elements to each other.

Regarding extant accounting literature in this matter, Covaleski & Dirsmith (1983) argue that one appropriate response to institutional pressures may be decoupling. In this way technical instruments or devices (e.g; budgeting) may be used to maintain external legitimacy by dramatizing rationality and efficiency, while at the same time penetrating and changing the internal operations to only a certain extent (Covaleski & Dirsmith, 1986). Covaleski et al., 1993, provide evidence that organizational rules and practices adopted as a result of societal expectations may also become normative and taken for granted and affect how internal and external constituents perceive and act. The studies conducted by Covaleski & Dirsmith, (1986, 1988) conclude that the accounting may be used to display commitment of technical rationality to external constituents but in fact it may involve political processes. The existence of a regulatory authority such as the Securities and Exchange Commission (SEC) may also depend on establishing legitimacy and the regulatory actions of the SEC may have ceremonial application (Bealing Jr, 1994). The organizations may not necessarily become better as a result of decoupling. Collier’s (2001) field study of financial management in the police force points out that loose coupling can take place through accounting, in which devolved budget can satisfy both institutional and technical demands. The devolution of budgets shifted the power which helped to reconcile the interests of those pursuing legitimating accountability with those who prioritized operational policing (Colier, 2001).

A study conducted by Covaleski & Dirsmith 1988, indicates an important point that it is not only a one way process flow of practices from the institutional environment to individual organization but it can also be in the reverse order i.e. practices may flow from an organization to the institutional environment. They point out that the existence and
persistence of societal expectation is also dependant on specific organizational practice and its reproduction. The societal values may not be reproduced by an individual organization and this may lead to alteration of societal values; if not it may result in non-receipt of continued support for a particular non-compliant organization.

*iii- Institutional change processes*

TCE underemphasizes process of change (Mahnke, 2001). It does not focus on how governance structures are developing, but on why observed governance structures exist (Vosselman & Van der Meer-Kooistra, 2006). As a result TCE may not provide an adequate apparatus for understanding the process of organizational change. However, NIS has the potential to explain change processes. In extant accounting literature, Covaleski et al., 1993, recall the paradox pointed out by DiMaggio (1988) that the term *institutionalization* can represent a process or an outcome. As a process, institutionalization is profoundly political and reflects the relative power of organized interests and actors who mobilize them, but as an outcome it is beyond the reach of interests and politics. They highlight that the issue of institutionalized practices within organizations (micro-level) remains unexplored because the focus has been exclusively on the organizational field level (Covaleski et al., 1993; Dillard et al., 2004). Field consists of domains of organizations that in aggregate constitute a recognized area of institutional life, such as key suppliers, resource and product consumers, regulatory agencies and other organizations producing similar services and products (DiMaggio & Powell, 1983). According to Scott (1995), field refers to a community of organizations that interact frequently and fatefully with each other. Friedland & Alford (1991) associate fields with institutional logics or broad belief systems.

Dillard et al., identify three levels of social analysis namely the economic and political level, the organizational field level and the organizational level, and emphasize that both processes and context are important in understanding change. The ‘processes’ are essential because they establish, transpose and decompose the institutional practices. The socio-economic and political ‘context’ is important because it constitutes the framework for understanding organizational processes. They argue that the institutionalization process and institutional change may be better studied by connecting different levels of institutions (the socio-political level, the organization field level and the organizational level). While Dillard et al., (2004) focus more on the socio-political level and the organization field level, Burns & Scapens (2000) emphasize intra-organizational processes of change by treating management accounting systems and practices as organizational rules and routines. Burns & Scapens (2000) draw from the insights of old institutional economics and argue that change and stability are not mutually exclusive but they occur simultaneously. However, they do not ignore the importance of a broader (extra-organizational) institutional dimension.

Another important aspect of institutionalization is strategic choice. The individual organizations may not simply bow to institutional expectations and pressures and may resist and respond strategically. The reasons for this resistance may be non-affiliation with professional associations, organizational imprinting and expected alteration in existing power relationship. Different strategic responses (acquiesce, compromise, defy, avoid or manipulate) to institutional pressure may exist (Oliver, 1991; Carpenter & Feroz 2001). Abernethy & Chua, 1996 have suggested a further research into the role of
strategic choice and institutional constraints along with the relationship between organizations’ technical and institutional environments (Abernethy & Chua, 1996). Similarly, suggestions have been made to further contribute to the issues of legitimacy vis-à-vis efficiency, decoupling and institutionalization as a process (including the role of power & politics) (Covaleski et al., 1993; Carruthers, 1995; Dirsmith 2007). The change process is affected by both internal and external factors (Brignall & Modell, 2000; Collier, 2001; Modell, 2002; Tsamenyi, 2006). Greenwood & Hinings (1996) discuss Old Institutionalism (OI) and New Institutionalism (NI) to understand the process of change. According to them, OI is about internal factors or intra-organizational dynamics (interests, values, power dependencies and capacity for action) at an individual organizational level which cause, stop or shape the process of change while NI explains the external factors, at an organizational field level, affecting the change process. The change is the result of an interaction between these two i.e. contextual forces (NI) and intra-organizational dynamics (OI) (Greenwood and Hinings, 1996, Dillard et al., 2004). It is this interaction or combination that has been termed as ‘institutional entrepreneurship’ (Garud et al., 2007). This concept is an input to our framework. The legitimacy aspect may be used by institutional entrepreneurs and they may create institutions which are appropriate for them and foster their interests. These agents, having resources, bring institutional change and change the character of the institutions (Dacin, Goodstein and Scott, 2002). As a result this process may be highly political also wherein powerful actors may shape the institutional change. Different actors may be operating at different levels (organizational level, organizational field level and societal level). This study will try to connect these different levels to provide for a broader understanding of change.

Even though NIS has traditionally emphasized continuity (to gain legitimacy), it also acknowledges the importance of change. On the other hand the strategic choice and behavior literature has focused on change even though it agrees that change is difficult to accomplish. The concept of ‘institutional entrepreneurship’ offers considerable promise for understanding how and why certain novel organizational forms appear and become established over time. This concept of ‘institutional entrepreneurship’ reintroduces the concept of agency, interests and power into the institutional analysis of organizations (Garud et al., 2007). Institutions are not only constraints but also a platform for the entrepreneurial activities. Change is embedded in institutions, but is also the result of human agency. These new developments in NIS, as they focus on change rather than stability, not only have the potential to inform the answers not only to the ‘why’ question, but also to the ‘how’ question.

4-Theoretical Framework
The discussion in the previous section coincides with the latest work being done in NIS. The new directions in NIS research have changed the focus on continuity and stability towards the study of non-isomorphic change (Dacin et al., 2002). Institutional fields have been studied from the angle of contestation and struggle (Garud & Rappa, 1994; Maguire & Hardy, 2006). Institutional fields are political arenas where power relations are maintained or transformed (Clemens & Cook, 1999; Lounsbury & Ventresca, 2003). The latest research suggests that institutional pressures are not sufficient to cause change.
Institutional entrepreneurship is required (DiMaggio, 1988) whereby agents deploy resources at their disposal to create and empower institutions. Institutional entrepreneurs use legitimacy to support the creation of institutions that are appropriate for their interests. These agents having resources bring institutional change and change the character of the institutions (Dacin et al., 2002).

This paper tries to build a theoretical framework to study change towards and beyond FSSCs. More specifically it aims to get a deeper understanding of how and why institutional innovations like FSSCs are constructed at the organizational level as well as at the interorganizational field level. It acknowledges that the concept of institutional entrepreneurship is important to understand the role of skillful entrepreneurs who bring about change while advancing their own agenda (Mizruchi & Fein, 1999; Dirsmith, 2007). Further, the institutionalization process engenders the politics and power at different levels and they are an important input to this framework.

The framework draws upon the new insights in NIS in general and perspectives on institutional change given by Hargrave and Van de Ven (2004, 2006) in particular. They have described four perspectives on institutional change, that is, institutional design, institutional adaptation, institutional diffusion and collective action (see figure 2). These can be categorized on the basis of the mode of change and the level of focus. The modes of change are construction and reproduction. The focus could be either on a single organization or multiple organizations in interorganizational field.

The construction mode of change describes the purposeful social construction and strategies by an actor (an organization) to create or change an institution to solve a problem or correct an injustice. It is called institutional design. However, at the level of the interorganizational field, the innovation or solution to a problem becomes constructed through collective action. The collective action is in the form of political action among distributed, partisan, and embedded actors (at the interorganizational field) for changing existing institutional arrangements. The reproduction mode of change occurs in the form of adaptation at the level of individual organization (institutional adaption) and becomes reproduced in the interorganizational field through institutional diffusion. The focus of institutional design and collective action models is on the construction of institutional arrangements, whereas the focus of institutional adaptation and institutional diffusion models is on reproduction of institutional arrangements among institutional actors through evolutionary and adaptive processes. The agency is stressed in the design and collective action models, whereas the institutional effects (conditioning the actors) have been underlined in the adaptation and the diffusion models. The design and adaptation models focus on the behavior of focal actors (individual organizations) who are engaged in designing or adopting an institutional arrangement at an organizational level, whereas the diffusion and collective action models shed light on the diffusion and construction respectively of an institutional arrangement among multiple actors at the level of an industry, a population, or an inter-organizational field. These perspectives on institutional change are different views of the same process of change, that is, focus on individual or field and change as construction or reproduction. (Hargrave & Van de Ven 2006). Figure 2 shows these perspectives on institutional change.
### Mode of change

<table>
<thead>
<tr>
<th>Reproduction</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional diffusion</strong></td>
<td><strong>Collective action</strong></td>
</tr>
<tr>
<td>Reproduction, diffusion, or decline of an institutional arrangement in a population or organizational field</td>
<td>Political action among distributed, partisan, and embedded actors to solve a problem or issue by changing institutional arrangements</td>
</tr>
<tr>
<td>Evolutionary processes of variation, selection, and retention (Isomorphism)</td>
<td>Framing processes, mobilizing structures, and political opportunities</td>
</tr>
<tr>
<td>Organizational institutional ecology literature</td>
<td>Social movements and industry emergence literature</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Institutional adaption</strong></th>
<th><strong>Institutional design</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational efforts to achieve legitimacy by adapting to institutional environmental pressures and regulations</td>
<td>Purposeful social construction and strategies by an actor to create/change an institution to solve a problem or correct an injustice</td>
</tr>
<tr>
<td>Coercive, normative and mimetic processes</td>
<td>Bounded agency: affordance and partisan mutual adjustment</td>
</tr>
<tr>
<td>New organizational institutional literature</td>
<td>Old institutional literature</td>
</tr>
</tbody>
</table>

Source: Van de Ven and Hargrave (2004)

### Figure-2: Perspectives on institutional change

According to Hargrave & Van de Ven (2006), the collective action model emphasizes conflict, power, and politics in explaining institutional innovation and is based on a dialectical theory of change in which opposing actors in the organizational field frame issues, mobilize collective actions, and engage in contested processes in order to achieve material improvement, be it technical or social.

“The concepts of conflict, power, and politics are central to dialectical theory of change. Conflict is the core generating mechanism of change, power is a necessary condition for the expression of conflict, and political strategies and tactics are the means by which parties engage in conflict. The relationship among conflict, power, and political behaviors and institutions is recursive; just as conflict, power, and politics are central to
institutional change, so, too, institutions shape the forms that conflict, power and politics take. Conflict and power relations become institutionalized and are reproduced through taken-for-granted arrangements and routine behaviors” (Hargrave & Van de Ven, 2006, p.878).

Because conflict is always present, though sometimes latent, and is a source of creativity, it shows that institutional change is unavoidable and ongoing. Power also shapes the behavior and thus efficiency-seeking or legitimacy-seeking behaviour may not be the only causes for an institutional change. Instead the actions may be driven by the desire to maintain power or appear legitimate in the eyes of those who control resources. The collective action model represents an important link in understanding the temporal stages or cycles of institutional change. The four perspectives on institutional change (i.e. institutional design, collective action, institutional adaptation and institutional diffusion,) are not only alternative perspectives on a single phenomenon but also represent different temporal phases of one complete institutional change process. These perspectives are an important input to this framework for understanding institutional change processes.

For the purpose of this paper, the above model of perspectives on institutional change could be modified to understand the change towards and beyond institutional innovations such as FSSCs. Three organized actors in the institutional field are the state, the (accounting) professions and the organizations (Mezias, 1994). Regarding FSSCs, the professions (i.e. consultancy, accountancy, etc.) and professional networks (organizations such as accounting institutes and other platforms used for disseminating ideas and making networks) appear to be the most influential in mediating, constructing and accelerating institutional change. The professions function as institutional agents and they define, interpret and apply institutional elements, and exercise supremacy in today’s secularized and rationalized world (Scott, 2008). The state seems to have a little role in this case. The organizations (at field level) have roles in the construction, adaptation and diffusion phases. However, in the construction of the field of FSSCs, organizations are supported by the professions. Professions connect professionals (consultants and accountants) and major organizations in a specific field in the construction of a new innovation. There might be conflict, power, political issues on the usefulness of particular innovations among professionals themselves and big organizations also. The professions and professional networks frame issues and construct networks and coalitions in order to create market and legitimacy for their innovations or innovation of an organization. In short the professions occupy a central position in all the four perspectives (stages) of institutional change in case of FSSCs. They theorize and frame, justify, endorse and legitimize a particular innovation like FSSCs. The modified framework may be diagrammatically shown as follows (figure 3):
Reproduction
Institutional Diffusion
Evolutionary process of variation, selection and retention (isomorphism)

Field Level

Construction
Collective action
(Conflict, power, Politics)
Groups of major organizations and other professionals

Theorization, endorsement, Legitimization

Professions & professional networks

Isomorphism
(Coercive, normative, mimetic)

Organization Level

Institutional Adaptation

Figure-3: Theoretical framework

This framework in figure 3 could be used to study how the innovation of FSSCs appears and how it is constructed at the field level and what role is played by the professions and professional networks in the institutional design as well as institutional construction

Reasons
Legitimacy and / or efficiency

Intra-organizational dynamics
a. Interests
b. Values
c. Power dependencies
d. Capacity for action

Institutional Design
Efficiency or solution to a problem or any other change (e.g; management change)
Moreover, professions and professional networks also affect institutional adaptation (at the level of individual organization) and institutional diffusion (at the field level) in the form of normative isomorphism along with coercive isomorphism and mimetic isomorphism. The professionals (consultants, advisors, accountants) act as mediators and accelerators by providing consultancy services and conducting practical conferences, seminars, publications, training programs, etc. Being in a position to interact with different organizations in different sectors, they are instrumental in the construction and diffusion of practices and innovations at the level of the field of organizations. The innovation may originate at the level of an individual organization striving for efficiency or solution to a problem or it may be the result of any other change (e.g.; change in management) at the level of an individual organization. It may also stem from the work of professionals (interacting with many organizations) at field level. This shows a discursive relationship between institutional design at an individual organization level and professions and professional networks at field level. Both interact with each other in the creation of an innovation such as FSSCs. The innovation at an individual organization does not get further constructed at the field level without the support of professions who project this innovation to the field level and theorize or frame the benefits and make coalitions with big player (professionals and major organizations) in the field. In other words, further construction at the field level calls for collective action.

Theorization is an important stage in the construction of innovative practices at the field level. It is a process whereby organizational failings are conceptualized and linked to potential solutions (Greenwood, Suddaby & Hinings, 2002). The professions and professional networks theorize change; they endorse local innovations and shape the construction and diffusion of innovations (Greenwood et al., 2002). There might be conflict, power or politics among the professions themselves regarding the utility and legitimacy of the innovation. The adoption of the innovation by big players and the display of benefits strengthen the construction and institutionalization of the innovation at the field level. The next phase is the reproduction of the innovation, called institutional adaptation (in the form of isomorphism) at the level of individual organization and institutional diffusion at the level of the field. We may call the professionals and initiating or inventing organizations the field level institutional entrepreneurs.

The change process is affected by both field level and organizational level dynamics. Therefore, another level of analysis is the intra-organizational dynamics operating in an individual organization, whether this organization is involved in institutional design or in institutional adaptation. Internal factors or intra-organizational dynamics are interests, values, power dependencies and capacity for action which cause or stop or shape the process of change (Greenwood and Hinings, 1996).

According to Greenwood and Hinings (1996), interests and value commitments occupy central importance in intra-organizational change and these are precipitating dynamics of change. The change or inertia depends on how interests of different groups are accommodated within an organization. The more the dissatisfaction experienced by different coalitions, the more is pressure for change from these coalitions. But dissatisfaction is a necessary, yet insufficient condition for change. The important point is the recognition, by dissatisfied group, of links between the prevailing organizational arrangement (template or archetype) and the position of disadvantage. This is what is
called the *pattern of value commitments*. Four patterns could be identified within an organization (Greenwood and Hinings, 1996, p.1035):

i- Status quo commitment, in which all groups are committed to the prevailing institutionalized template-in-use.

ii- Indifferent commitment, in which groups are neither committed nor opposed to the template-in-use. This situation is frequently one of unwitting acquiescence.

iii- Competitive commitment, in which some groups support the template-in-use, whereas others prefer an articulated alternative.

iv- Reformative commitment, in which all groups are opposed to the template-in-use and prefer an articulated alternative.

According to Greenwood & Hinings (1996), power dependencies and capacity for action are enabling dynamics. These support the precipitating dynamics (interest and values) to execute change. The operation of values and interests is incomplete without the concept of differential power of groups. The dissatisfied groups having a competitive commitment to existing arrangements can only bring change if they have sufficient power and capacity for action (conceptual destination, skills and competencies, ability to manage to get to the destination). Capacity for action includes availability of skills and resources within an organization and their mobilization.

Greenwood and Hinings (1996) discuss intra-organizational dynamics with reference to adoption and diffusion perspectives of institutional change. However, these dynamics may also be operating in case of institutional design and collective action (construction).

Our framework has particular a focus on the institutional design and collective action perspectives of change along with adoption and diffusion perspectives. The framework tries to connect the field level and the organization level to give a broader understanding of change.

**5-Discussion**

The framework described in the preceding section will be employed to understand why and how the FSSCs are designed, socially constructed and adopted, and why and how the management control of accounting activities changes, along with the study of related dynamics of power and institutional entrepreneurship. The use of a combination of multivariate methods and historical or interpretive methods would be the preferred strategy to get a holistic understanding of change. Multi-methods provide possibilities for combining the field level analysis with the analysis in a particular individual organization, thus enabling a rich understanding of the change towards FSSCs and beyond. The aim of the research would not be theory testing, but theory building. The findings of the research would be used to put data under the light of theories and, thus, to contribute to the theory building in the area of accounting and control change (Ahrens and Chapman, 2006)

The multi-methods approach may the use of both quantitative (multivariate) and qualitative methods (interpretive, historical or dialectical) for understanding the change. The multivariate analysis focuses on variance (outcome) rather than process (Suddaby and Greenwood, 2008). The multivariate analysis is used to study the observable change in the form of the numbers of adoptions and non-adoptions of FSSCs over a number of years, with general reasons for such outcomes. This can be a survey. Such an analysis
will give a general state of the field of FSSCs. However, in order to understand the process of the construction of field, changes in shared meanings, values and norms and related impact on accounting, and the role of institutional entrepreneurs, it is important to use qualitative methods like historical or interpretive methods. In order to study field level change the preferred one would be historical. The field level change takes place over a number of years and it is useful to employ historical analysis. However, a detailed and focused processual study of at least one individual organization with particular emphasis on its interaction with the field is important for a better understanding of the interaction of an individual organization and the field during the change towards FSSC and beyond. Further, it may also be useful to conduct this study in at least two organizations for two reasons. First, study of a number of case studies enables a comparative analysis. Second, the use of two or more organizations provides an opportunity to connect the analysis of the individual organizations to the field of organizations in order to understand the change process comprehensively. The change in an individual organization does not take place in isolation. Therefore, the institutional environment and organizational fields are important elements to be considered in the research. This means throwing light on the discursive interaction between the field and individual organizations.

The evidence gathering would involve in-depth and sometimes repetitive semi structured interviews, study of field level archival documents, review of organizational records and documentation, extensive contacts and informal conversations. The analysis of data gathered as well as institutional theoretical base would contribute to the building of theory on change towards and beyond FSSCs. “The practice of doing qualitative field studies involves an ongoing reflection on data and its positioning against different theories such that the data can contribute to and develop further the chosen research questions. Data are not untainted slices of objective reality but aspects of recorded activity that a study finds significant for theoretical reasons” (Ahrens & Chapman, 2006, p.820).

Notes:

i The journal ‘Organization Studies’ has issued a special issue on institutional entrepreneurship (Garud, Hardy & Maguire, 2007).

ii NHS Shared Business Services: http://www.sbs.nhs.uk/index.html

iii For the sake of simplicity NIS in this paper means both new and old institutional sociology and the latest developments in this field

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