



**A strong structuration view on the evolution of
budgeting: the case of an English University**

*A Thesis Submitted in Fulfilment of the Requirements for the Degree of
Doctor of Philosophy*

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Declaration

I confirm that this is my own work and the use of all material from other sources has been properly and fully acknowledged.

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Abstract

English Universities are expected to be more efficient and effective in an environment that is changing continuously. Understanding the perceptions of the multiple stakeholders involved in budgeting and the way they use it is proving to be vital to successfully achieving an efficient and effective university. As one of the main channels used to implement the change, budgeting has itself been, not only shaping the university, but also being changed in the process. There has been a considerable interest in the literature in understanding how budgeting is influenced by the institutional environment and how it is used as a result of these pressures. However, this study addresses the specific question of how budgeting evolves, influences and being influenced, during times of strategic change in universities. This research sits within the Interpretivist paradigm and makes use of a qualitative single case embedded study. The main data collection methods are semi-structured interviews with key personnel involved in budgeting (budget holders, management accountants and senior managers) and documentation. This study contributes to theory as follows: it applies Strong Structuration Theory to a changing English university which enables an in depth understanding of the multiple facets of budgeting in light of its institutional environment. This study demonstrates that budgeting is a social system that produces and reproduces through interaction between the agents (people involved in budgeting) and its structural properties. The findings related to the role of budgeting as structure of signification, domination and legitimation are in line with previous studies. However, this study sheds light on the internal legitimacy aspect of budgeting and the primacy of domination in the case of Magnolia. This study has made the following contributions to the literature: i. The role of agency in the change process is evident and is captured alongside the change to budgeting's structural properties using the Strong Structuration theory framework; ii. budgeting's structural properties have changed primacy during organisational change. It was noted that the exercise of domination through the centralisation of allocative and authoritative resources has become more dominant than its legitimation and communication properties. iii. budgeting is not only used for inter-organisational legitimacy purposes as it appears in all previous studies; instead, it is found to be a significant tool for intra-organisational legitimacy; iv. budgeting at Magnolia was demonstrated to be multifaceted, which was not captured in previous studies on budgeting in the European public sector context.

Keywords: Budgeting, Structuration Theory, Institutional Logics, Higher Education, Case

Dedicated to my beloved parents, husband and daughter

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1. Chapter One: Introduction

1.1. Overview

This study is concerned with providing an understanding of budgeting, its use, evolution and dynamics, in a changing English university between 2012 and 2015. Budgeting has been extensively studied in the literature (Moll and Hoque, 2011; Simons, 1994; Parker, 2002; Bromwich and Scapens, 2016) however, the researcher has identified a number of gaps, discussed below, that will be addressed through this study. Strong Structuration theory is used to guide this research theoretically. This thesis is a qualitative single case embedded study (Yin, 2013) of an English university undergoing a major change.

This chapter starts by discussing the background and context of the study, followed by a discussion of the gaps identified in the literature. The motivation of the research is outlined next, followed by the research aim and objectives, in addition to the research questions. The chapter concludes with an outline of the remainder of the thesis.

1.2. Background and context of the study

The UK higher education sector is a major contributor to the UK economy and society. It generates £73 billion annually to the national economy and supports over 700,000 direct jobs and 819,000 indirect jobs (Universities UK, 2015). However, the English higher education sector, in particular, came under tremendous pressure since 2010.

The spending cuts that the government in the UK has announced in the 2010 Spending Review combined with the recommendations of the Browne Report (2010) on Higher Education funding, have reshaped the funding structure of English universities. These changes in the economic and social environment of English universities has put the pressure on them to change their finance structure, making them adopt corporate like financial and accounting systems (Beverungen *et al.*, 2014). This financialisation of universities has pushed them to reduce spending and aspire to be more financially efficient (McGettigan, 2013).

This thesis is based on the case study of an English university named Magnolia for confidentiality purposes. The university was created by a Royal Charter in the early part of the 20th Century. It is “*an independent corporation with a charitable status*” (Magnolia’s annual report, 2012). The university is regulated by the Higher Education Funding Council, which also contributed over 11% to the university’s 2015-16 income. Magnolia is home to more than 17,000 students coming from over 150 countries. Magnolia, has five campuses both in England and abroad and has many partnerships across the globe. The university has four faculties, namely: The business school, the faculty of science, the faculty of life sciences and the faculty of Arts, Humanities and Social Sciences.

The university became of interest to the researcher as major change has been announced following the arrival of a new Vice Chancellor in 2012. The change has been referred to as “... *not superficial changes. We are seeking the transformation of every aspect of the University of ‘Magnolia’: the way we are structured, the education we offer, the research we undertake.*” (Magnolia’s Website, 2013). Although, Magnolia has been through periods of change before, where the former Vice Chancellor has

made the difficult decision of closing some departments down for financial purposes, the current change has a broader scope. In an attempt to ensure the university's financial sustainability (generating surpluses), a review of professional and support services was conducted and has resulted in hundreds of support staff leaving the university, most of which on voluntary redundancy. Moreover, land property was disposed of, generating millions of pounds of exceptional income to the university, which is said to be used for capital investment. On the budgeting process level, centralisation of allocation and authorisation of resources has been intensified in an attempt to ensure greater efficiency and effectiveness. By the end of the change process (The financial year 2015-2016), the University has indeed generated exceptional levels of surpluses.

Overall, English universities have, since the government's cuts, started looking at ways of achieving efficiencies. The economies generated through these efficiencies have reached their peak in 2010, after which the trend started slowly going down (Universities UK, 2015). However, at Magnolia, the situation seems to be delayed and only started the intensive efficiency programme in 2013 following the arrival of the new Vice Chancellor in 2012. According to the university's annual reports since 2010, the peak efficiencies have been made in the 2015-2016 financial year due to the major change.

Thus, examining budgeting at Magnolia has two main motivations. First, being able to witness the change as it happens and having access to internal participants is an invaluable opportunity to study budgeting for any researcher. Second, the university has a Charitable Status and is a big player in its local, national and international

community, which made understanding how it seeks sustainability an interesting, and most importantly a significant, phenomenon to study.

1.3. Research gap

Research on management accounting has accumulated a substantial wealth of knowledge on the subject. In doing so, an array of theories and methodologies have been deployed, as discussed above, to explain management accounting practices, its stability and change. Therefore, calls have been made to consolidate and build on the existing literature to establish a strong theoretical and methodological framework to study management accounting (Bromwich and Scapens, 2016; Parker, 2008). This study is indeed attempting to bridge that gap by building on previous work on management accounting in general and budgeting in particular. Throughout this research, five gaps have been identified in the literature.

First, most previous studies have either examined the implementation process of new management accounting (technical) systems, such as Activity Based Costing (Granlund, 2001) and Balanced Score Card (Kasurinen, 2002), the introduction of new management accounting information systems (Scapens and Roberts, 1993), the adoption of budgeting systems from other sectors (Carmona and Macias, 2001) or importing budgeting systems from the funding body (Moll and Hoque, 2011). These studies have all looked at the introduction of new management accounting systems and assessed whether they were successful or not and why. Whereas, to the best of the researcher's knowledge, no study, particularly in the context of the European public sector, has examined how the different roles of budgeting, instead of technical change, evolve during the strategic organisational change.

Second, the use of Structuration Theory to study budgeting at the University of Wisconsin (Macintosh and Scapens, 1990) unravelled its multifaceted nature: a tool for the exercise of power, legitimation and communication. Nevertheless, studies conducted in the European public sector do not pay much attention to the multiple facets of budgeting (Anessi-Pessina *et al.*, 2016). Therefore, the use of Structuration theory (Giddens, 1979; 1984) is seen appropriate to provide an understanding of the different roles and uses of budgeting in an English University.

Thirdly, the studies that have treated the matter of legitimacy as one aspect of, and a reason for, budgeting, have all focused on external legitimacy (Moll and Hoque, 2011; Coaleski and Dirsmith, 1988; Macintosh and Scapens, 1990; Anessi-Pessina *et al.*, 2016; Berry *et al.*, 1985; Abernethy and Chua, 1996; Collier, 2001). Therefore, the researcher identified a lack of studies that have examined intra-organisational legitimacy as an aspect of the budgetary system, which this research attempts to investigate.

The fourth gap identified is that most studies have focused on the manager's perspective on budgeting (Ouibrahim and Scapens, 1989; Simons, 1994; Simons, 2013; Hall, 2010; Jrgensen and Messner, 2010). However, budgeting involves managers among other organisational members who may play a major role in the process. Thus, the lack of studies that provide a multiple users' perspective in the context of European Public Sector, is contributing to the current shallow understanding of budgeting, which this study is addressing.

These gaps have led to the formulation of the aim, objectives and research questions which are discussed next.

1.4. Motivation of the research

This study is motivated by mainly three factors. First, the researcher has been interested in public and not-for-profit sector prior to starting a PhD and has studied impact of environmental sustainability on the financial sustainability of an English university. In addition to that, the researcher has also studied governance at local authorities in the Midlands and finds that although public sector organisations are bound by the Freedom of Information Act on paper, compliance is lacking in many of these organisations. The research also finds the afore mentioned sectors to be detrimental to the well-functioning of societies and that research into these organisations sheds light on how these organisations operate and evolve.

Second, very few studies have focused on universities around the world and even fewer in England. This is a gap that was identified through a review of the literature as briefly discussed in the previous section and is emphasised in Chapter 3. The researcher intends to bridge that gap in the literature of studying the role and dynamics of budgeting in higher education through times of strategic change. Making a theoretical contribution is one of the key drivers for this study by shedding the light on the sociological aspects of budgeting through times of change.

Third, the researcher could have chosen any other not-for-profit organisation such as the NHS, the police or a local authority, however, the researcher is passionate about the role that higher education plays into transforming lives and enabling people reach their potential, maintain civilisations and societies. Universities are social institutions that enable sustainability of society as we know it and help develop nations through knowledge, freedom of thought and creativity. Understanding how universities seek –

rightly or wrongly – their own sustainability in times of economic challenges gives this study a real social contribution that can be shared through policy outlets.

1.5. Aim and Objectives

In an attempt to fill in the gaps identified in the section above, this research's aim is formulated as follows:

To examine the role of budgeting in a changing Higher Education Institution.

In order to achieve this aim, a number of research objectives have been set:

- Identify and analyse the institutional factors influencing budgeting.
- Assess the impact of these institutional factors on budgeting.

Ultimately, this research suggests a theoretical framework that will have a contribution to the theoretical debate on budgeting, while at the same time may have contribution to practice.

1.6. Research questions

Following on from the research aim and objectives, the main research question has been formulated as follows:

How has budgeting evolved in a changing Higher education institution?

In order to answer this main research question, a number of sub-questions have been developed:

- What are the factors influencing Budgeting?
- How is budgeting affected by these factors?

These research questions are going to be answered through a qualitative single case embedded study that will capture the evolution of management accounting in time and space.

1.7. Research Contributions

By achieving the research aim and objectives as well as answering the research questions developed in the previous section, this study has contributed to the literature in a number of ways.

First, the major theoretical contribution of this study is the conduct of both a context analysis and a conduct analysis through the adoption of the Strong Structuration framework (Stones, 2005) which helped bridge the gaps in the literature where studies of accounting change have mainly focused on the structural properties of budgeting rather than the role of agency in the process. The framework has successfully enabled providing an in-depth understanding of the complex roles of budgeting in the context of a changing Higher Education Institution. It also allowed a multilevel analysis of budgeting, taking into consideration the external structures, internal structures and agency which the context of the organisation. This study asserted that a shift in the overall orientation of an organisation triggered by external macro structures has a direct effect on budgeting. Although no budgeting related technical change had taken place at Magnolia during the period of study, a change in the way budgeting is used was noted. This change has been captured through considering budgeting as a social system with structural properties.

In fact, the second major theoretical contribution is that budgeting's structural properties have changed primacy during organisational change. Even though many

studies have discussed the structural properties of budgeting, to the best of the researcher's knowledge, no previous study has looked at the change in the primacy of one structure over the others over time. This is a contribution not only to the accounting literature but also to Structuration theory. Although Giddens (1979, 1984) has not mentioned if certain structures have primacy over others, it was noted that the exercise of domination through the centralisation of allocative and authoritative resources has become more dominant. The domination exerted by the senior managers has led to a shift of power to the top which had implications on the way budgeting is used to legitimise the budget holders' actions. During the time of change, budgeting is also used to diagnose the operations of the university. Budgeting is also found to be communicative about the priorities of the senior managers and budget holders.

The third contribution to the accounting literature is that budgeting is not only used for inter-organisational legitimacy purposes as it appears in all previous studies; instead, in this study budgeting is found to be a significant tool for intra-organisational legitimacy. Although it was noted that legitimacy was only demonstrated by the budget holders to the senior managers and not vice versa. Again, this is dictated by the primacy of the domination of those at the top, as they hold power over resources.

The fourth contribution is made specifically to the budgeting literature in the context of European public sector. Budgeting at Magnolia was demonstrated to be multifaceted, which was not captured in previous studies in this context (Anessi-Pessina, 2016).

One potential practical contribution is drawing attention on the various perceptions on budgeting and how that lead to conflict. Therefore, being able to acknowledge the existence of conjuncturally-specific structures that influence the actions of individuals

and groups within the same organisation which may result in a smoother change and improved budgetary interactions. Also, on reflection upon the answers of budget holders, the strategic change could be achieved in a more efficient way by devolving the budgetary system instead of centralising it. However, these claims have not been verified in the case of Magnolia as the opposite happened.

Overall, the study's aim and objectives have been attained, and research questions have been answered. Moreover, this thesis has contributed to the management accounting literature in general and in the context of European public sector in particular.

1.8. Outline of the thesis

This thesis is made up of five chapters: Chapter 2 Literature review and theoretical framework, Chapter 3 Research methodology, Chapter 4 Research findings, Chapter 5 Discussion and Chapter 6 Conclusion.

Chapter 2 provides a review of the relevant literature on budgeting, with a focus on higher education institutions. The chapter discusses the work done on budgeting by the key scholars in the area and provides a positioning of this thesis in its context. A review of studies on management accounting in general and budgeting in particular is presented in Chapter 2, narrowing the literature down, as the chapter goes on, to studies on budgeting public sector organisations, then on higher education institutions. The chapter then moves on to extensively review Structuration theory, Strong Structuration theory and Institutional Theory.

The aim of Chapter 3 is to provide a discussion and justification of the research methodology and methods adopted in this thesis. It starts off by highlighting the researcher's philosophical positioning, which is also in line with the proposed theoretical framework. This leads to a discussion of the research approach followed, as well as the research strategy adopted in this thesis. The chapter then goes on to discuss the relevant methods used for data collection and data analysis, before discussing the research validity towards the end.

Chapter 4 exposes the findings from this research in the form of themes. The findings generated through the case study are guided by the theoretical framework and presented as direct quotations from participants and documents.

Chapter 5 provides an extensive discussion of the findings in light of the literature reviewed in Chapter 2 and the proposed theoretical framework. The main finding from this study is that budgeting at Magnolia is a dynamic social system, that reproduces through interaction between agents and structures. The chapter also reveals that budgeting is influenced by the overall institutional logic of the organisation, but also by internal pressures, and is used to reshape Magnolia. Budgeting, as a social system, is found to have changed during the strategic change at Magnolia, involving a shift in the power relationship, the way legitimacy is sought and its communicative aspect. Budgeting's structural properties are both the medium and outcome of the actions of those involved in the system. The theoretical framework is applied to the case as a summary of the discussion.

Chapter 6 presents an assessment of the research aim and objectives, as well as it demonstrates how the research questions have been answered through this study. Moreover, the main contributions of this research are discussed, alongside its

limitations and future research. A summary of the thesis is also provided at the end of the chapter.

2. Chapter Two: Literature Review and Theoretical Framework

2.1. Introduction

This chapter provides both a review of literature related to budgeting in the public sector with a special focus on Higher Education Institutions and build a theoretical framework to study budgeting. The chapter is presented in nine parts and will start off by providing a discussion on the historical development of management accounting followed by an identification and discussion of the roles management accounting plays in organisations as it is in the literature. Budgeting is then looked at in the context of organisational change and a review of all the main studies on budgeting in the context of Higher Education has been provided in the fourth part of this chapter identifying the gap in the literature. The importance of understanding context when studying management accounting and budgeting is highlighted next, including New Public Management in the case of the public sector. The sixth part is devoted to the review of Structuration theory, its main principles, development and contributions, followed by a similar review of Strong Structuration theory. The eighth part is looking at Institutional theory as an alternative theory for this study.

2.2. The historical development of management accounting research

Budgeting sits within the discipline of management accounting, which has developed from being technically driven to a more social and behavioural orientated.

Management accounting research has gone through different stages. The 1970s, have seen a focus on producing mathematical and economic models which were purely of theoretical use (Scapens, 2006). The 1980s researchers recognised that the models they were producing did not fit in practice, which created a new era of practice-orientated research (Hopwood, 1985; 1987). A methodological development was also noted in the early 1980s. The start of the decade has seen an extensive use of questionnaires, which proved unable to explain management accounting change. The questionnaires have then been replaced by more qualitative methods and strategies such as interviews and case studies (Scapens, 2006). The trend followed in the late 1980 and 1990s, marked a shift in management accounting research as the focus is no longer on its technical and mathematical aspects. Instead, research has drifted towards behavioural and social theories to provide a better understanding of the subject (Hopper and Bui, 2016). Sociological theories such as Giddens' Structuration Theory (ST) have started to be used to explain management accounting change (Roberts and Scapens, 1985).

Since 1985, Scapens, Roberts and Macintosh (Roberts and Scapens, 1985; Scapens and Roberts, 1993; Scapens and Macintosh, 1996; Macintosh and Scapens, 1990) have worked on the conceptualisation of ST focussed accounting research that created a trend which was followed by other researchers over the last three decades. Understanding the process of management accounting and the reasons behind the current practices in management accounting, are the focus of research in the 2000s. A broad range of theories, mainly social sciences' theories, have been used to achieve that understanding, such as non-rational design, Naturalistic, Radical, Institutional, Structuration, Foucauldian and Latourian (Baxter and Chua, 2003). Nowadays management accounting research, including studies of budgeting, are mostly focused

on qualitative methods and case studies, which enable an in-depth understanding of the discipline within its context.

2.3. The role of budgeting in organisations

Budgeting has been long studied from a control mechanism perspective, however, for the last two decades, researchers (Scapens and Bromwich, 2001; Merchant and Stede, Wim A Van der, 2006; abernethy *et al.*, 2013) started to look at its diverse roles in organisations. Nevertheless, in the context of public sector organisations, there is limited literature that highlights the multifaceted aspect of budgeting. Indeed, (Anessi-Pessina *et al.*, 2016, p.493) consider budgeting to be: “... *a tool for bargaining and allocating resources, for planning and controlling, and for ensuring transparency and stakeholder involvement*”. On the other hand, Abernethy and Brownell (1999, p.191) argue that “*Budgets are a major feature of most MACS [Management Control Systems] and are used by management as a means of coordinating and communicating strategic priorities and, in conjunction with reward systems, are often used to facilitate lower-level managers' commitment to these priorities*”. There are two main roles of budgeting that can be identified here; that of control and that of communication and motivation. In this study, both conceptions of budgeting are going to be combined. In addition to that Schick (2009) adds another role to budgeting as he identifies allocative, managerial and external accountability. External accountability can also be regarded as legitimacy. Budgets not only allow individuals and groups to control resources, communicate and motivate staff, but also to legitimise their actions by being accountable to stakeholders. Although, budgeting in the literature appears to focus mainly on inter-organisational accountability rather than intra-organisational

one. The next three subsections are devoted to further discuss each function of budgeting separately.

2.3.1. Budgeting as a control mechanism

One of the more traditionally discussed roles of budgeting in the literature is control. Budgeting is considered to be part of Management Control Systems (MCSs) (Abernethy and Brownell, 1999; Anthony, 1965; Simons, 1987; 2013). Management Control is defined as the *“process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives”* (Anthony, 1965, p.17). This definition reinforces the view that budgeting is a tool by which the senior managers of an organisation allocate and control resources to ensure efficiency and effectiveness. The control aspect of budgeting is also coming from its informative properties which enable top managers to be kept informed about the resources used up and those available. Simons' (2013, p.5) defines Management Control as *“the formal Information-based routines and procedures used by managers to maintain or alter patterns in organizational activity”*. This definition provides an insight into the power and agency that MCSs presents top managers with. This is particularly relevant in times of strategic change, when control mechanisms of which budgeting is central.

MCSs can have diagnostic and/or interactive functions (Simons, 1994; 1995). Diagnostic control refers to control mechanisms such as budgeting that enable the identification of anomalies and deviations, whereas interactive control refers to the active engagement of top management in the control process where interaction and communication with subordinates is key (Simons, 1994). Studies that built on Simons' framework found that strategic capabilities of organisations have been adversely

affected by the diagnostic use of MCSs, however, they were positively impacted when these systems are used interactively (Henri, 2006). Abernethy and Brownell (1999) have also found that when budgeting is used in an interactive way by the top management it results in a better implementation of strategic change in organisations. As well as a management control mechanism, budgeting is also regarded as a performance management tool. By Performance Management System (PMS), Broadbent and Laughlin (2009, p.293) mean “...*a control framework which attempts to ensure that certain ends are achieved and particular means are used to attain these ends*”. Therefore, by being a control mechanism, budgeting enables managers the successful achievement of organisational goals.

Ferreira and Otley (2009) further develop the definition of performance management systems as “...*the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change*” (p.264). This definition provides a holistic and comprehensive view of performance management and management control systems. Although budgeting is argued to be a formal system and is one of the performance management systems (Agyemang and Broadbent, 2015), it becomes entrenched in the fabric of organisational life and day to day activities making it also take informal shapes. This definition also highlights not only the control aspect of PMSs but also their normative side making it the basis for reward of good performance. Agyemang and Broadbent (2015) have also captured the enabling characteristic of PMSs in organisational evolution and change. PMS, including budgeting, are not only portrayed in the literature as the constraining control

mechanisms but more importantly as an enabler of change, efficiency and effectiveness.

An important element in the process of understanding Performance Management systems is that of 'use' (Broadbent and Laughlin, 2009). In the light of an acknowledged contingency, PMSs can differ from organisation to another or even from sub-unit to another in the same organisation (Otley, 1999). These differences can be down to the way PMSs are used by the concerned parties. As Broadbent and Laughlin (2009) suggest there are 'transactional' and 'relational' uses of PMSs. In a relational PMS, there is a sense of a wide scale consensus among stakeholders of the performance targets. Whereas in a 'transactional' PMS, the objectives are driven by a sub group of stakeholders and is considered "*being highly functional and directed to specific outcomes.*" (Broadbent and Laughlin, 2009, p.293). Broadbent and Laughlin's differentiations assert the importance of 'use' aspect of PMS and how the context in which PMS are implemented affects the way they are used and perceived by individuals involved in the process. The concept of use can also be seen in an earlier study by Hofstede (1968) emphasises the motivational aspect of budgeting. It has stressed the importance of the judgment of managers in setting the right targets in their budgets. Hofstede (1968, p.4) argues that "*In order for a standard to function as a standard for achievement it should be tight, so tight that there is real risk of its not being attained... On the other hand, it appears that standards which are so tight that they are seen as impossible destroy motivation.*". Striking the balance when control systems are set determines their level of effectiveness, reduces uncertainty (Macintosh, 1995) and increases motivation (Storey and Edwards, 1997). Failure to do so could result in MCSs becoming pointless, restrictive (Hopwood, 1972) and counterproductive (Argyris, 1953). However, budgeting remains an important tool for

keeping the organisation structured and reduces uncertainty (Marginson and Ogden, 2005). The work of Hofstede, is regarded here to be of high importance, and the way he refers to budgeting as a 'game' reflects its challenging, engaging and rewarding nature. In Hofstede's (1968) own words: *"The game spirit represents motivation of the budgetee 'from within'... it supposes a certain amount of free scope and the absence of rigidity, because a game requires a free area to play in."* (p.6). This view of budgeting also highlights the concept of use and the role of individual agency in the budgetary process. Agency in the sense that Giddens (1984) refers to; the ability of individuals to act otherwise and the power that comes with acting differently and having an influence on the process. Budgeting as a management control system and a process involves interaction and a degree of individual agency, which makes it take various shapes depending on the organisational and wider contexts. Nevertheless, budgeting also involves the ability of these individuals to legitimise their actions as it is further discussed in the next section.

2.3.2. Budgeting as a tool for legitimacy

In times of organisational change and crises, questions of accountability and legitimacy tend to float to the surface (Covaleski and Dirsmith, 1988; Ezzamel and Bourn, 1990). Studying accounting and budgeting as a tool for legitimacy has seen an extensive use of Institutional theory – in all its forms – in the accounting literature (Covaleski *et al.*, 2013; Moll and Hoque, 2011; Parker, 2008; Jrvinen and Parker, 2016). Most of the studies have been conducted in a public sector organisation undergoing change. These studies have also been qualitative in nature with a heavy use of interviews as the main source of data.

It was shown that in a study of the UK's National Coal Board that management control systems have been changed in an attempt to be externally legitimate, which also led to efficiency in the organisation as a consequence (Berry *et al.*, 1985). Covaleski and Dirsmith (1988) have also found that budgeting has been used by the University of Wisconsin to demonstrate its legitimacy to its funding body, the state of Wisconsin. Moll and Hoque (2011) have particularly focused on the role of budgeting as a legitimacy tool used by an Australian university undergoing major change. In a similar study, Abernethy and Chua (1996) have shown that the implementation of a management control systems enabled a hospital to demonstrate legitimacy after the government funding was cut. Adoption of well-established management control systems in other industries and organisations is also been seen as a mean to acquire legitimacy. This was particularly found in the case of when the Spanish government has implemented a cost management system that was successful in other industries to the then-public tobacco industry (Carmona and Macias, 2001).

Collier (2001) conducted an ethnographic study on the introduction of budgeting in a local police force using institutional theory. The study relies on interviews and participant observation over a period of four years. It was concluded that accounting can be used both as a legitimating tool to external institutions and as a technical activity, demonstrating loose coupling as a result of converging interests. These converging interests have presented the notion of power in accounting as enabling rather than constraining (Giddens, 1979).

It was noticed that the majority of studies reviewed have focused on the external legitimacy of budgeting and management control systems in general. These studies have neglected a potentially important role of budgeting which is the legitimisation of

decisions and action of individuals vis-a-vis other individuals or groups within the same organisation. In this study, it is intended to also look at how budgeting may be used for intra-organisational legitimacy purposes.

2.3.3. Budgeting as an information system

In the literature, the communicative aspect of budgeting is marginalised and not highlighted enough compared to legitimacy and control. Nevertheless, there are a few studies that have emphasised its importance. In his definition of MCSs discussed earlier, Simons (2013) has stressed the informative abilities of budgeting. In fact, the communicative aspects of budgets have been mentioned in most studies related to MCSs and PMSs; however, they were not subject to study as such, rather they were referred to as secondary aspects of the control systems (Broadbent and Laughlin, 2009; Simons, 2013). Accounting in general is considered to be a communication tool and a language (Mellempvik *et al.*, 1988; Dent, 1991). However, Pettersen and Solstad (2007) have studied accounting information – notably budgets – in two universities in Norway and found that the information is mainly used for control purposes and that there is a lack of interactive use of control systems. From these studies it seems that even in practice, budgets are not considered a primary source of information, rather this role is eclipsed by the control and even legitimacy uses. In the non-transparent university regimes (Laughlin and Scapens, 2000), budgeting is not only not communicated about, but also access to budgeting information is not easy.

The interdependency between the three roles of budgeting can be seen in studies that have focused on the role of accounting information to managers. It is argued that accounting information is used as a language that facilitates communication between managers (Hall, 2010). Accounting information is also used to signal issues and

provide a basis for discussion – mainly verbal communication – among managers (Ahrens, 1997; McKinnon and Bruns Jr, 1992). Accounting information plays an important role in knowledge building and in providing an understanding of organisations which helps managers in making more informed decisions (Preston, 1986). This is particularly of use to managers when building a new or updating an existing strategy (Jrgensen and Messner, 2010). However, these studies have failed to define what is meant by accounting information and lacked focus. They also focused solely on the managerial use of accounting information, which is a limited view of it. In this study the communicative aspects of budgeting and stressing their role as an information system is considered as important as the control and legitimacy aspects. In fact, budgeting's communicative aspect cannot be dissociated from that of control and legitimacy. Budgeting as a source of accounting information will be studied from the perspective of not only the managers, but also the budget holders and the preparers.

2.4. Budgeting and organisational change

Many studies have explored the role of accounting in organisational change, but most of them have focused on how institutional factors have influenced accounting change (Scapens and Roberts, 1993; Bogt, 2008; Ezzamel and Bourn, 1990; Hoque, 2005). Other studies have considered management control systems as the driver of organisational change. Nevertheless, budgeting seems to be both influenced by and influences organisational practices. This conclusion is indeed in line with Hopwood's (1987) framework of accounting where he argues that accounting *"not only shaped other important aspects of organisational life, but it, in turn, also was influenced by them, overtime thereby playing some role in creating the possibilities and conditions*

for its own transformation.” (p.226). Hopwood’s framework marks a turning point in management accounting research in the way it was traditionally viewed as a static technical tool. The framework can also be interpreted from a sociological perspective (Giddens, 1984) as accounting having a duality in the sense that it is influenced by and at the same time influences organisations. It highlights the complex and evolutionary nature of accounting. Accounting change comes as consequence of organisational change and vice-versa.

Studies of management accounting change have taken many shapes and forms and focused on various aspects of change. There are studies that focused on management accounting change as a result of external factors, such as the (i) long term macro-economic, social and political environments and (ii) the immediate organisational environment such as policy changes, economic crises and social trends (Senior and Fleming, 1997). There also intra organisational factors that contribute to management accounting change, such as the change of strategy, key personnel’s values, beliefs and norms (Perera et al., 2003), as well as a change in the organisation’s level or nature of activity (Senior and Fleming, 1997).

Management accounting change can take various forms. Change can be either revolutionary whereby organisations’ rules and routines are radically disturbed, or it could be evolutionary in that it can be subtle and incremental (Burns and Scapens, 2000; Burns and Vaivio, 2001). Management accounting change can also be studied as either to the process or as an introduction of a new system, tool or technique (Lukka, 2007). The management accounting process may change in the way it is used and/or perceived. However, both change situations can happen simultaneously. When

organisations decide to change the way the budgetary process work they may also introduce a new IT system to support that to enable that.

2.5. Budgeting studies in the context of Higher Education

A number of papers over the years and since the creation of the leading accounting journals (e.g. Accounting Organisations and Society, Management Accounting Research, Accounting, Auditing and Accountability Journal, Critical Perspectives in Accounting, etc.) have studied the role of budgeting in various organisational contexts. It has been noticed that Budgeting is understudied in the Higher Education Sector, however, there are a number of studies in the health sector which shares some key features with higher education; notable the co-existence of the professionals and managers (Bourn and Ezzamel, 1987). There are very few studies that have focused on budgeting in the public sector in the European context (Anessi-Pessina *et al.*, 2016). Budgeting has mostly been studied from one angle or another, omitting its multifaceted nature. The papers reviewed so far show three clusters: Budgeting as a control mechanism, as an accountability tool and as an allocative system. There are even fewer studies on the role of Budgeting in the Higher Education sector, and to the best of the researcher's knowledge, none in the English Higher Education sector. Many of the papers are either empirical in nature or have used institutional theory to establish how budgeting is a legitimacy tool between the university and its funding bodies (and that many do not provide theoretical underpinnings to their studies. The authors highlight the centrality of budgeting to public sector organisations but called for more research on the multifaceted role that budgeting plays in these organisations. The study has only focused on studies related to the European context which limits its

scope on studies done in other contexts and disciplines, however, it provides an overview of the gaps available in the literature.

Bourn and Ezzamel's (1987) empirical paper draws a comparison between the NHS and universities, with a focus on the budgetary devolution system at the university of Southampton. Budgetary devolution is found to be the answer to the specific nature of both the medical and academic professions ("Clinical and academic freedom"). The paper provides an understanding of the budgetary practices at Southampton university and how they come as an answer to the Jarratt Report, and how these are also relevant to an NHS hospital. However, the paper is highly descriptive and lacks theoretical as well as methodological soundness.

Covaleski and Dirsmith (1988) have looked at how the University of Wisconsin has used budgeting to legitimise and demonstrate the soundness of its internal processes in an attempt to save the budget received from the state of Wisconsin. The authors use Institutional theory to guide their study of budgeting. However, the state of Wisconsin has proceeded with budget cuts for the university which ultimately demonstrates the subjective and political use of budgeting. The case study used naturalistic, qualitative research methods. Data were collected through interviews with key personnel with a budgetary involvement within the university and government agencies as well as through archives. The authors argue that accounting and social reality determine one another, that accounting is a tool used to demonstrate to the external bodies that the organisation is committed to technical rationality. The paper also suggests that accounting is a political exercise and provides a source for mere conformity to "normative isomorphic pressures" (p.21). Moreover, the paper argues that accounting is a reflection of societal expectations while at the same time

contributes to their reproduction. However, the paper focused on the role of budgeting, how and why it is used the way it is between the University of Wisconsin and its state government, which provides a one level analysis and fails to reflect the intra-organisational roles of budgeting as well.

Moll and Hoque's (2011) paper is a longitudinal case study of an Australian university. It used Institutional theory to guide the study and data was collected through 42 interviews, documents and observation over 4 years. The authors argue that while the university's Vice-Chancellor was seeking external legitimacy through adopting a budgeting system similar to that of their funding body, the internal constituents became opposed to it. This situation created tensions and pushed the departments to under or over-spend. Therefore, the study highlighted the importance of intra-organisational legitimacy in the achievement of the external one. The study focused on one aspect of budgeting which is legitimacy and neglected its multifaceted nature.

Angluin and Scapens (2000) is an empirical paper that relied on a survey collected from 52 respondents across 88 Accounting and Finance (A&F) departments in UK universities. The data was analysed qualitatively and interpretatively. The study found that universities with the less transparent resource allocation systems generate a perception of unfairness among their A&F staff. Although the paper shed light on the importance of transparency in resource allocation systems in creating a feeling of fairness, the sample studied represented less than 60% of the population and the study is not underpinned by a theoretical foundation. It also does not explain what impact the feeling of unfairness and/or fairness on the performance of those A&F departments and universities.

Agyemang and Broadbent (2015) adopt a middle-range thinking philosophy, where three theoretical frameworks are combined: Communicative action and steering by Habermas, notions of reactivity by Espeland and Sauder, and symbolic violence by Bourdieu. The study is predominantly based on participant observation (the experience of the authors and their colleagues) in addition to analysing evidence extracted from previous research papers on the implementation of the Research Excellence Framework (REF). The study concludes that the intra-organisational management control systems in relation to the REF are stricter than the external control framework as a result of researchers being stricter on themselves. The lack of a clearly defined sample or case study makes the findings from this study very limited. Similarly, the validity of the data used is somehow unclear.

Broadbent, Gallop and Laughlin (2010) developed a conceptual framework adopting “middle range” thinking. The framework draws from Habermas’ notion of “steering” and organisational Performance Management Systems model. The paper takes Higher Education in England as a case study to apply its conceptual framework. The authors provide an insight into how both “steering media” in English Higher Education (the Higher Education Funding Council for England and the Research Council) are using financing as a “steering tool” to drive regulatory change. The paper presents a broad case for Higher Education institutions in England, which is itself a diverse sector and there may be variations of how the steering tool affects different groups.

The previous studies on budgeting in Higher Education institutions or indeed in the public sector in general, have focused on one aspect of budgeting at a time. More importantly most of these previous studies have used institutional theory in its different forms to explain their findings. The majority of papers have generated data through

interviews, documentation and/or participant observation. Case study research is also the reigning strategy adopted in previous studies. This study intends to address one of the major gaps in Higher Education management accounting research which is the lack of studies that analyse both the external and internal dynamics affecting budgetary change and also the multiple roles budgeting takes during these times of change.

2.6. The role of context in management accounting studies

The study of organisational context has become primordial in analysing the role of accounting in organisations and society since the emergence of studies by Burchell *et al.*, (Burchell *et al.*, 1980) and Hopwood (1985; 1987). In an attempt to conceptualise Performance Management Systems (PMS), Broadbent and Laughlin (2009, p.290) refer to context as *“the nature of the organisation or the part of the organisation which the PMS is attempting to control. It also refers to the channels through which the PMS attempts to achieve the aspirations it has through the organisations or parts of the organisation that it is trying to control.”*. This definition highlights two main aspects of context: the nature of the organisation’s activity (internal) and the environment where the organisation operates (external). In particular, Management Accounting Systems (MAS) are considered to be *“highly situated phenomena”* (Baxter and Chua, 2003, p.108) as these are bounded by historical contingencies, organisational rationalities, the habits of the individuals within organisations and their values. Hence, the study of budgeting in this thesis is considering the context and specificities of the organisation subject to study as an integral part of the case. The political, economic and social environments in which organisations operate is fast changing, affecting the way these organisations operate and the way budgeting is used. Some context related concepts and studies have been depicted in the literature and have been classified into three categories: New Public Management, organisations experiencing crisis situations and the arrival of new key individual.

2.6.1. New Public Management

The majority of universities in England are public institutions and have been going through change since the 1970s when the funding from the government was first reduced following the economic downturn, then continued to be reduced through the 1980s and in the 2000s (ter Bogt and Scapens, 2012). The latest reduction in government funding was through the Browne Report (2010) which also replaced the student grants by student loans following austerity measures introduced by the coalition government. It was though, in the mid-1980s that performance measurements were introduced to UK Higher Education through the Jarratt report (1985). However, it was since the 1980s that New Public Management (NPM) emerged in the UK public sector (Hood, 1995). NPM has been subject to many studies since it was first adopted in the 1980s (ter Bogt and Scapens, 2012; Hood, 1991; 1995; Lapsley, 2008).

NPM can be defined as the introduction of private sector practices to public sector organisations (Hood, 1991). These practices are mostly an increased focus on performance measurement and management, managerialism, decentralisation, efficiency and effectiveness and value for money (ter Bogt and Scapens, 2012; Anessi-Pessina *et al.*, 2016). Therefore, accounting in general and budgeting in particular has become entrenched in and essential for the delivery of the NPM agenda (Liguori *et al.*, 2012).

In the context of Australian public universities, Christopher and Leung (2015) have concluded that the adoption of *“a corporate culture in universities is still continuing, but at a slow rate”* (p.187) and that there is a “pseudo-management” approach in universities that is still taking shape. Other studies conducted in other parts of the

world, where NPM has also been introduced, have shown that although over 20 years have passed, public sector organisations have not fully embraced the corporate culture (Bogt, 2008; ter Bogt and Scapens, 2012; Christopher and Leung, 2015). However, these studies have focused on interviewing senior management only and these findings need to be tested further through other stakeholders within the university.

The NPM wave that brought with it corporate like processes to Higher Education has also created an identity crisis and mostly tension as it has been captured by Harley *et al.*, (2004, p.330) who stated that *“Traditionally, and somewhat idealistically, universities have been seen as collegial communities that have enjoyed professional autonomy, their members having the freedom to set their own priorities and goals according to criteria set by their disciplines, rather than by the institutional needs of their employing organizations”*. The introduction of NPM to universities has created a break between the traditional role of these institutions and the newly imposed agenda of corporatisation.

All of these previous studies have one thing in common, findings that have shown that there is a gap between the NPM attempted theoretical definitions and practice. It seems that public sector organisations, have shaped and created their own management style and culture, which is different from the corporate sector that it initially aspired to. This aspect of NPM will also be verified through this study.

2.6.2. Crisis situation and accounting change

Although Hopwood (1987) was wary about linking crisis and resource constraints as a contributor to accounting change, Dent's (1991) study confirmed that once again, a

stress on accounting change came as a result of reduced level of funding from the government and a restructuring of the rail organisation. Dent (1991) provided an insight into how accounting can be implicated in an organisation's culture. Management accounting systems (MAS) have also been studied in mergers and acquisitions where it was found that MASs gain even more importance in these times of strategic change (Jones, 1985; Granlund, 2003).

In fact, most studies that have focused on accounting change have been conducted in organisations undergoing major change (Covaleski and Dirsmith, 1988; Ezzamel and Bourn, 1990; Bogt, 2008; Jrvinen and Parker, 2016). Ezzamel and Bourn (1990) have found that accounting information systems' role becomes very important in managing organisational crisis which makes it gain power compared to other functions. Although, management accounting or indeed budgeting, is considered to be an internal management function, it has been demonstrated to be subject to external influences (Hopwood, 1987; Parker, 2002; Moll and Hoque, 2011; Ezzamel *et al.*, 2012; Hopper and Bui, 2016). This increase in power contributes to conflict and tension within the organisation. However, budgeting change and tension are still not fully understood in the literature which is considered to be an opportunity to be explored here.

2.6.3. New Management and change

Previous research has demonstrated that the arrival of a new manager is very likely to bring with it change to control systems (Gabarro, 1987). Simons (1994) has studied how newly appointed managers bring strategic changes to organisations, but most importantly how these changes are levered through management control systems. Change is in most cases accompanied with tension due to deeply rooted routines and

behaviours; one way to enable a smoother change process is to replace the key staff members with new ones (Tushman *et al.*, 1987). According to (Simons, 1994) new managers bring change through crafting a new inspirational strategy and mission that reflects their set of beliefs. New managers also use formal boundaries where they state the sort of behaviours or activities that are and are not tolerated. The use of management control systems to implement the change is one of the key elements that Simons' framework reveals. Management control systems are used to diagnose the current situation and provide a basis for performance evaluation of subordinates.

The position of power of individuals or groups in influencing the change process has also been suggested in the work of (Child, 1972), (Jones, 1985) and (Granlund, 2003).

Therefore, accounting *“not only shaped other important aspects of organisational life, but it, in turn, also was influenced by them, overtime thereby playing some role in creating the possibilities and conditions for its own transformation.”* (Hopwood, 1987, p.226).

2.7. Structuration theory

The choice of Structuration theory as the guiding theory of this study is a result of reviewing in depth Structuration Theory (ST), Strong Structuration Theory (SST) and Institutional theory which have been used in studying management accounting for over two decades. Structuration theory especially in its strong form (Stones, 2005) provides a practical explanation of the phenomenon of stability and change in management accounting compared to other alternative theories (Baxter and Chua, 2003). Therefore, this section will be devoted to a review of structuration theory and how it evolved, as well as its application in the management accounting context and especially in the context of this research project. Giddens (1979) has identified a gap in social theory that is “...*time-space intersections as essentially involved in all social existence*” (Giddens, 1979, pp.54) and that every situation is situated in time, space and paradigm. One of the main characteristics of Giddens structuration theory is that it is flat (Englund *et al.*, 2011), which means that, unlike other functionalist theories, the structures in the social system are not physically present, but they are abstract. To clarify this point further, a discussion is given next on the differences between the social system, social structures and their components according to Giddens ST.

2.7.1. The main principles of Structuration theory

Giddens (1979 and 1984) is considered one of the leading scholars in modern sociology (Englund *et al.*, 2014; Stones, 2005; Stones and Jack, 2016). Giddens has made major contributions to social theory and sociology through his concepts of duality of structure, agency, the stratification model of action and has caused controversy through his adoption of an ontology in-general that considers the use of structuration

theory not adaptable for empirical research as he considers it to be more of a sensitising device and his concepts of overly voluntaristic agency (Stones, 2005). The main principles of Giddens' (1979 and 1984) structuration theory are discussed below.

2.7.1.1. Time-space intersections and duality of structure

One of Giddens most important contributions to ST is its unique consideration of the three folds of social systems: time, space and paradigm. All social systems, including their structural properties, exist and evolve in time and space. This can be relevant in the case of rules, for instance, which even in a drastic change situation will still evolve from the old rules (limited in a spatial dimension) and take place in a diachronic manner rather than synchronic. Continuity is asserted in ST, however, it is flexible when it comes to unification of this continuity as it considers human beings as subjective and always have the choice to act otherwise (Giddens, 1979). The time-space intersection brings in the debate on generalisation of findings from social science studies to a limit, as an action needs to be studied in its geographical and historical contexts.

In addition to the time-space intersections, there is one of the most notorious contributions of Giddens (1979) to social theory: The Duality of Structure. He considers structure as “...*both medium and outcome of the reproduction of practices.*” (Giddens, 1979, p.5). By this definition Giddens sheds the light on a very important and vital aspect of social systems. The duality of structure is the basis of interaction, continuity and change as it implied a complex interconnectedness and mutual influence between the actions of the knowledgeable agent and social structures. Structures are, therefore, enablers at the same time constraints to human actions.

2.7.1.2. Agency and Structuration:

As briefly mentioned above, Agency has been dividing social theorists for years, between those who regard structures and institutions as constraining action and those who argue that social actors are able to act otherwise thus have the ability to initiate change of events (Scott, 2008). The existence of agency was absent from the early work of neoinstitutional theorists where institutions are regarded as constraining the actions of social actors (Meyer and Rowan, 1977; DiMaggio and Powell, 1983); however, the later work of neoinstitutional scholars (DiMaggio, 1991; Scott *et al.*, 2000; Scott, 2008) has been more orientated towards the assertion that social actors and organisations are in fact able to act differently, contributing to a change in institutions. The divide in acknowledging agency in organisational and institutional studies has been brought to term by Giddens' work on Structuration (1979 and 1984) where he suggests – as discussed earlier in this chapter – the existence of duality of structure, acknowledging the agent's ability to act otherwise and be influenced by as well as influence social structures, thus institutions.

2.7.1.3. Stratification Model of Action

The main model inspired from Giddens (1979) is the “Stratification Model of action” which will help explain how stability and change are created in organisations and more specifically within management accounting. The main three parts of the model are: the action itself, the unintended consequences of action and the unacknowledged conditions of action (Giddens, 1979). It is argued that despite the actions are reflexively monitored – intentional – rational and motivated they can produce unintended consequences, and that is due to the unacknowledged conditions of

action. If this model is applied to the previous studies in management accounting change, it shows that despite change has been driven intentionally, rationally and in a motivated way, there were still rejections of change from other actors in the organisation. The rejection of change is an unintended consequence of the action, which can be argued, was caused by conditions that were not taken into consideration for lack of knowledge or full understanding of the action.

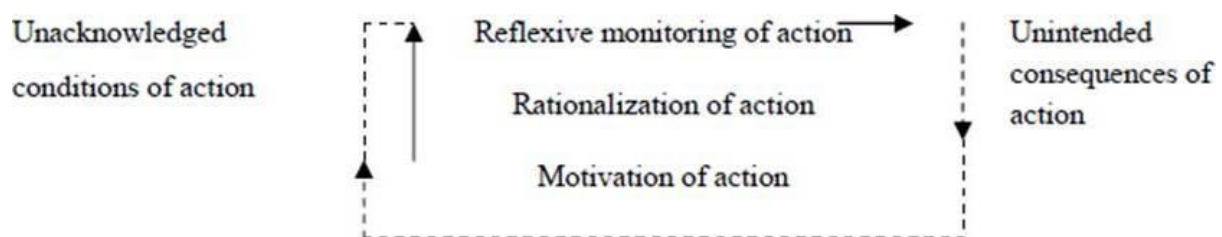


Figure 1: “Satisfaction Model of action” (Giddens, 1979, p.56)

2.7.1.4. Social systems and Social structures

One of the most important contributions of Giddens (1979) to sociology is his differentiation between the concepts of social structure and social system which were used interchangeably by structural-functionalism theorists. According to Giddens (1979, p.66) *“Social systems involve regularised relations of interdependence between individuals or groups, that typically can be best analysed as recurrent social practices. Social systems are systems of social interaction; as such they involve the situated activities of human subjects, and exist syntagmatically in the flow of time.”* Social systems are, therefore, the result of interaction between actors – individuals and collectives – that produce practices, creating patterns through their actions.

The patterns generated from the actions and interactions of actors are known in Structuration Theory (ST) as social structures (Giddens, 1979; 1984; Giddens and

Sutton, 2014). The social structures are, therefore, characterised by the non-existence of subject in opposition to a system where the subject – actor – is the central element. Thus, Social Systems are specific and subjective as they relate to individuals and their actions in a particular context; whereas, Social Structures are abstract and ‘objective’ as they relate to actions instead of individuals, thus only exist as traces in the human mind (Giddens, 1979, 1984).

Social structures are the properties of a social system and are in the form of rules and resources. The rules are divided into structures of significance and legitimation, and the resources are in the form of the structure of domination (Giddens, 1979, 1984). Moreover, structure of Signification is a set of interpretative rules that provide meaning to actions; Structure of legitimation is a set of norms of conduct that need to be followed and become sanctions in case they are not; and structure of Domination represents resources that provide power, which are divided into allocative and authoritative resources. Each of these structural properties are going to be discussed further in this chapter.

In addition to social system and social structure, Giddens’ ST is more importantly concerned with the understanding of Structuration which is *“to study the ways in which that system, via the application of generative rules and resources, and in the context of unintended outcomes, is produced and reproduced in interaction”* (Giddens, 1979: 66). Thus, structuration is concerned with the study of how social systems produce and reproduce bearing in mind the conditions of reproduction which are determined by the interaction between human agency and social structures.

The originality of ST is that it does not adopt the view of supremacy of structure over the agent (represented in the work of structuralists such as Althusser), nor the

supremacy of the agent over the structure (as seen in the work of individualist like Parson), instead, Giddens (1984) highlights the interdependence of both in a way that agency and structure presuppose one another.

Structuration as can be seen from the diagram below as the process of producing and reproducing social structures through actions but most importantly interaction of individuals belonging to the same or different social systems. The dotted lines represent the structural properties these individuals draw upon, produce and reproduce creating and maintaining structuration.

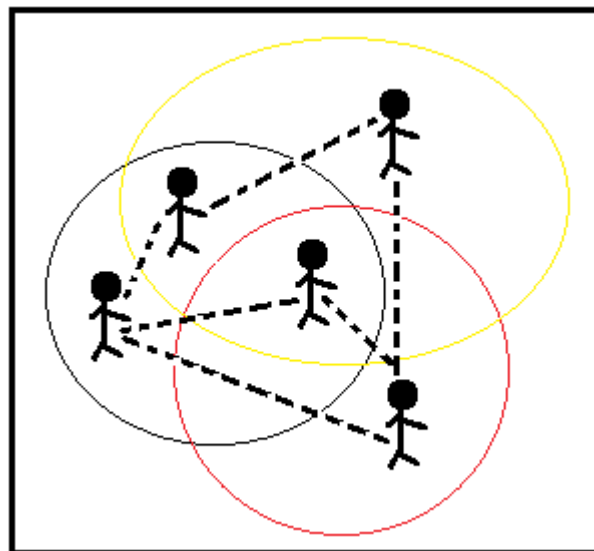


Figure 2: Structuration process

Giddens (1979 and 1984) has divided the social structures into two broad categories: rules and resources. Rules are formed of structure of Signification and structure of Legitimation, whereas the resources structure is referred to as Domination. The distinction between these structures is only done for analytical purposes as it will be seen from the discussion below (Giddens, 1984).

2.7.1.5. Rules

According to Giddens (1979) rules are both constitutive and regulative. Constitutive in the sense that they are attributed to a certain character and regulative in the sense that, if not followed, the rule becomes sanctioning. Giddens also highlights the importance of the connection between rules and practices; knowing a rule, is knowing how to act according to the rule. However, the inverse is not correct, as knowing how to go by the rules does not necessarily mean being able to identify exactly what the rules are (Giddens, 1979). Following on the previous point, Giddens argues that rules in some instances cannot be defined in lexical terms as there is no real definition to them in the first instance, this is also the result of the interpretative nature of rules, as their continuity is linked to subjective interpretation and practice.

Rules are therefore, the medium for the generation and regeneration of social practices as they are themselves the facilitator and product of social interaction (Giddens, 1979). Rules are present in the form of two structural properties of social systems: Signification and Legitimation, which are discussed in detail next.

2.7.1.6. Signification

Signification *“refers to structural features of social systems, drawn upon and reproduced by actors in the form of interpretative schemes”* (Giddens, 1979, p.98). In his explanation of signification, Giddens refers to semiotics and how signs are interpreted and reproduced in and through signification. In a quote taken from Eco (1976, p.9) *“a signification system is an autonomous semiotic construct that has an abstract mode of existence independent of any possible communicative act it makes possible. On the other hand... every act of communication to or between human*

beings... presupposes a signification system as its necessary condition". One of the important contributions of semiotics to signification is the fact that signs are not limited to spoken and written words, instead, signs incorporate all kinds of content.

Once more, Giddens (1979) stresses the importance of interaction in the existence and continuity of signification as a structural property of a social system. Hence, signification is only possible when the signs are used in an interpretative way through interaction between different agents producing and reproducing the meaning of these signs and therefore, communicating.

2.7.1.7. Legitimation

In Giddens' (1979) writings, he links legitimation to norms or normative consensus. A consensus in the sense that there should be a certain level of agreement over what is considered to be the "*value-standard*" (p.102). These are the rights and obligations – implying a sanctioning character – that are in place in a social system and embedded in the actions of its members. However, Giddens highlights the fact that legitimation does not always imply the agreement of the majority of the members of a collectivity, rather, he argues that the stability of that society/organisation is not necessarily linked to the general agreement on the norms, in fact, in times the influence of dominant groups over the rights and obligations is more important for assuring stability. Therefore, legitimation can be seen as the rights and obligations – norms – that help insure a certain level of stability and continuity of an organisation without necessary being agreed upon by every member of that organisation. These norms are internalised by some members but adopted as part of a routine practice by others. The use of norms by Giddens, implies interaction and externality, as these norms would be the result of an agreement by more than one actor to what represents right or wrong

and therefore it is not only seen as internal (Coad and Glyptis, 2014; Stones, 2005) but it is at the same time external and abstract.

2.7.1.8. Resources

Resources as a structural property of social systems are seen to be central to social theory as they involve the concept of power. Giddens (1979) regards resources as *“bases or vehicles of power”* (p.69). There are two main perspectives on power in the social theory literature, on the one hand, power is considered as *“...the capability of an actor to achieve his or her will, even at the expense of that of others who might resist him...”*, on the other hand *“power should be seen as a property of collectivity”* (Giddens, 1979, p.69). The first perspective reflects the work of Max Weber and the second, that of Parson. Moreover, Giddens argues that none of these two perspectives stand in isolation; instead, they exist and reproduce through the duality of structure.

Power is seen to have a “transformative capacity” (Giddens, 1979, p. 88) that enables agents to achieve their intended outcomes; hence, power and agency are interdependent. In fact, both (Lukes, 1974) and Giddens (1979) have agreed on the notion of power that is centralised around human agency: *“a person or party who wields power could ‘have acted otherwise’, and the person or party over whom power is wielded ... would have acted otherwise if power had not been exercised.”* (Giddens, 1979, p.91). However, Giddens (1979) rejects the assumption that resources are power, instead, he argues that resources are a source of domination and the media for exercising power, reproducing domination.

2.7.1.9. Domination

According to Giddens (1979, p.93) “*Structures of domination involve asymmetries of resources employed in the sustaining of power relations in and between systems of interaction.*” This statement reinforces again the existence of two parties; one exercising power over the other by means of interaction creating the domination of one (the party with most resources) over the other (the party with lesser resources). The agency suggested by Giddens (1979) is closely related to the structure of domination, in fact in most cases, agency, power, action and domination are the multiple facets of the same object. The resources that Giddens (1979 and 1984) refer to are both material and human. The structure of Domination is considered to be both restraining and enable action. It is important to note that there are two types of resources as suggested by (Giddens, 1979): authoritative and allocative. In Giddens’s (1979) words “*by ‘authorisation’ I refer to capabilities which generate commands over persons, and by ‘allocation’ I refer to capabilities which generate command over objects or material phenomena*” (p.100). This differentiation came from the debate that exists in social theory about whether the allocative are a sub-category of authorisation or the other way around, whereas Giddens comes with the suggestion that every social system has both allocative and authoritative resources that are vehicles of power relationships. However, and in contrast to Weberian notion of power, Giddens negates the causal relationship between power and conflict. Instead, power is more related to interest; and by interest Giddens refers not only to the conscious wants but also to the unconscious ones as well. In which case, when interests of the parties in interaction are different that will lead to a conflict over resources and therefore power provides domination to those with the greater resources (authoritative and/or allocative).

2.7.2. Dialectic of control

Giddens (1979) refers to Webber's work on bureaucratic organisations where the power and authority become concentrated in the top of the hierarchy which means a reduced level of autonomy in the lower part of the hierarchy. This represents a limited if not an absence of power of the subordinates in the face of the resource backed top of the hierarchy. However, in line with Giddens thoughts on agency and the ability of the knowledgeable agent to act otherwise, combined with the duality of structure which translates in the agents on the subordinate side not just be a passive recipient of domination but also have the power to influence those at the top of the hierarchy. Power relationships are two-ways and Giddens (1979) acknowledges the importance of the dialectic of control in that relationship. In his own words "*The dialectic of control is simply an intrinsic feature of regularised relations of power within social systems*" (Giddens, 1979, p.149). This concept is particularly important in the study of accounting in general and budgeting in particular as the budget holders (budgetees) as agents have a dialectic of control in the power relationship with the budgeteers (top management). From an inter-organisational perspective, it should also be considered how the organisation is receipt of funding has agency over the funding providers.

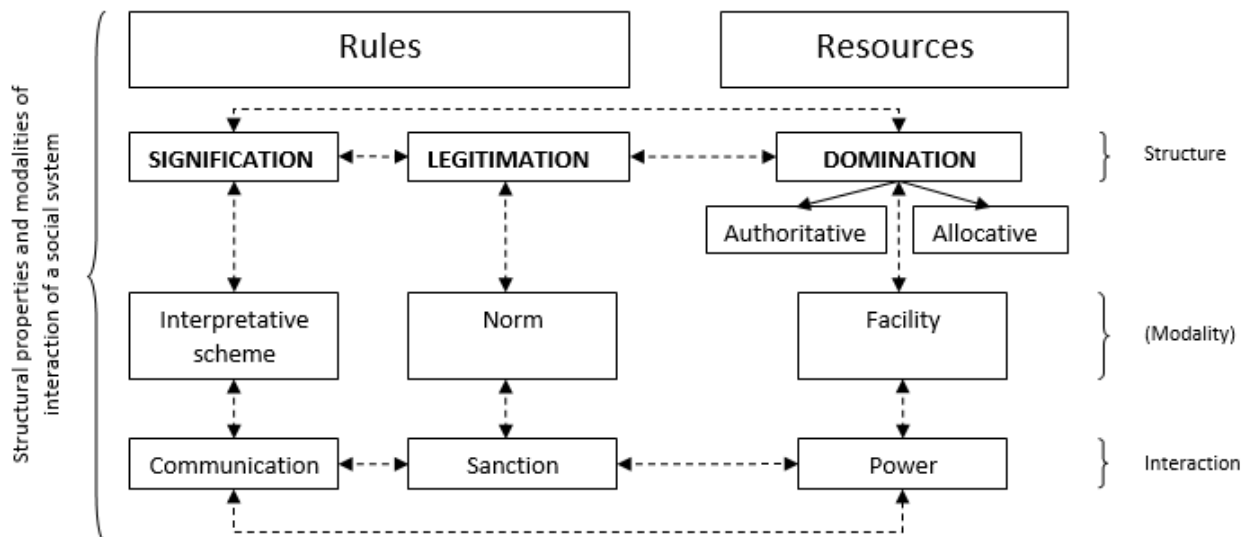


Figure 3: Structural properties of Social systems (Adapted from Giddens (1984))

2.7.3. Relating the three structures together:

The three structural properties of social systems discussed above, are a very important analytical tool that enables an understanding of how social systems produce and reproduce over time and space. Understanding these structural properties in light of agency, reflexivity, duality of structure and time-space intersections, is what makes the study of structuration possible. It is worth noting that the three structural properties need to be studied in conjunction rather than separately, as Giddens (1979) explains their interdependence by stating that “*Resources are not just additional elements to these [communication of meaning and normative sanctions], but include the means whereby the meaningful and the normative content of interaction is actualised.*” (p. 92). As it can be seen from Figure 3, the three structures are interrelated in the process of structuration and each structure has its modality of interaction. As Giddens stresses on the importance of the two types of resources, it was suggested to make them visual in the original diagram. Therefore, the differentiation between the three structures is done for analytical purposes only. This is particularly useful when studying budgeting

in organisations, and for that reason a review of how ST has been applied in the accounting literature will be presented next.

2.7.4. Structuration theory in the accounting literature

Structuration Theory was first introduced to the accounting literature by Roberts and Scapens (1985) when they identified – alongside other scholars (Hopwood, 1983; Burchell *et al.*, 1980) – the deficiency of organisational theories such as Contingency theory in providing an in-depth understanding on accounting as a social system rather than only focusing on its technical side. Since their paper, Robert and Scapens (1985) have shaped research in and of management accounting, by suggesting the use of Giddens's (1979; 1984) Structuration theory. A review of ST related accounting literature by (Englund *et al.*, 2011) was particularly useful and represented a starting point that was built upon in this section. They organise the ST related accounting literature into the three structures. The very first usage of ST in the accounting literature has considered accounting as a language and as an interpretative tool of reality (Roberts and Scapens, 1985; Macintosh and Scapens, 1990; Boland, 1993; Jack, 2005) (Roberts and Scapens, 1985; Macintosh and Scapens, 1990; Boland, 1993; Jack, 2005). The second phase of using ST in the accounting literature has focused on the legitimization structure providing evidence that accounting reflects the expectations of society and at the same time represents a sanctioning opportunity for actions that are considered otherwise (Macintosh and Scapens, 1991; Macintosh, 1995; Granlund, 2001). The later focus of ST inspired accounting literature has shifted towards the domination structure and how organisations get the power from accounting, resulting in many cases in agency conflicts (Collier, 2001; Jack, 2007). However, the three structural properties are interrelated and are present

simultaneously in every management accounting system (Roberts and Scapens, 1985; Macintosh and Scapens, 1990), but they exist in perhaps various aspects and do not have the same importance in different contexts. Giddens (1979) himself considers the differentiation between the three structural properties of a social system as a mere analytical one, which makes the study of accounting incomplete if studied from one aspect in isolation.

Although calls for studying accounting as a social system have been dealt with since the 1980s, Granlund (2001) still identified a lack of emphasis on the role human factor in accounting, which is at the essence of the concept of agency suggested by Giddens (1979). This is a call that has also been made by Jack (2017) regarding the use of SST as mainly in a contextual analysis way rather than focusing of the role of agents in structuration. The next sections will present the development of the use of ST in accounting in a chronological order. It has also been noted that the angles from which the theory has been used have focused on one aspect at the time to apply empirically.

In their study Ouibrahim and Scapens (1989) have used Structuration Theory to guide their single case study comprising two socialist enterprises in Algeria. 120 semi-structured interviews have been conducted in 1984 as well as documentary evidence. The study finds that accounting as a language is not used to communicate between managers. Instead, it is the language of production that was used to communicate, legitimise actions and represented a source of power to managers. These findings are opposite to those found in capitalist enterprises. Although accounting is not used to legitimise actions within the organisation, it seems from the findings that it is a source of inter-organisational legitimacy, between the enterprises and the government. The paper contributes to the accounting literature by using Structuration Theory and

providing a view on the role of accounting in socialist enterprises which is different to that in capitalistic enterprises. This demonstrates how the context of study affects the role of accounting. The study has only focused on one sector and therefore, these results cannot be generalised to all socialist enterprises. The study also does not analyse in detail how the context affects accounting, especially from a theoretical perspective.

Macintosh and Scapens (1990) were one of the first scholars to use Structuration theory to study management accounting. They have based their paper on that of Covalski and Dirsmith's (1988) longitudinal case study. The main findings are that from a structuration point of view, management accounting plays a role in changing the social order where it operates particularly at times of crisis. It also helps explaining the role of accounting in maintaining stability of the social order beyond crisis times. Management accounting is found to be used to make sense of the economic situation of organisations, to legitimise certain decisions and as a resource to exercise power. The paper's biggest contribution is the use of Structuration theory to analyse a previous case study in budgeting and demonstrating how the theory allowed an integrated and efficient framework to explain the role of management accounting in organisations. Similar to the paper by Covalski and Dirsmith (1988), the scope is on the use of budgeting on the inter-organisational level and not intra-organisational level; between the university and its funding bodies.

In their study of management accounting change Scapens and Roberts (1993) have used Structuration Theory in a single case study of a manufacturing company in the UK. Their paper found that in an attempt to improve the quality of accounting information on business units, regional managers decided to introduce a new

accounting system. The latter faced resistance due to a mismatch between the language of accounting and production, unexplained decentralisation and failure of the new system to obtain legitimacy amongst the employees. The paper contributes to the accounting literature by using Giddens' Structuration theory to illustrate the importance of studying accounting – change – in light of its context. However, there is ambiguity as to what data collection methods have been used and how many interviews were conducted nor the persons interviewed which can have an impact on the value of the results and their significance.

Dirsmith et al (1997) have used Structuration Theory in an ethnographic interpretive study where they collected data through 180 semi-structured interviews in the top six accounting firms. The paper suggests that the introduction of Management by Object (MBO) and mentoring as part of management control in the six big accounting firms, has resulted in unintended consequences (serving interests and purposes other than management control) due to self-interest. Both MBO and mentoring have shaped and being shaped mutually and became a constraint as well as a facilitator to change in the big six accounting firms. The paper suggests the existence of a double duality, that of structure (MBO) as well as a social duality (mentoring) which is a contribution to Giddens' structuration theory. Although the study has been conducted at a very large scale, it seems that it only scraps the surface of the structural properties Giddens (1984) develops where interaction and power are key concepts.

Structuration theory has also been used by Lawrence and Doolin (1997) in combination with Habermas' theory of communicative action. The paper is a case study of a Crown Health Enterprise (CHE) – hospital – in New Zealand. Data were collected through twelve interviews and informal discussions. The paper found that

accounting systems' change at the CHE has created a divide in the doctor ranks, as some have adopted the new business model of the organisation and those who disagree with it. The change came in an attempt to improve accessibility of health care to disadvantaged people, however, this was found to be inconclusive. By using both Structuration theory and the theory of communicative action together, the authors have contributed to the accounting literature. However, the study lacks justification for using both theories and fails to highlight the differences and areas of overlap between them.

In a paper studying the stability and change of Management Accounting Systems in a food manufacturing company in Finland Granlund (2001) has used both Institutional theory and Structuration theory to theoretically inform the study. Methodologically, the study was a longitudinal in-depth case study. Data were collected via 38 open interviews, 20 informal interviews, documents and participant observation. The study was conducted formally over three years and informally over two other years. Granlund (2001) found that accounting stability and resistance to change is not only motivated by technical or organisational factors, in fact, it is rather due to the power and control focused individuals. In this case, one individual has initially started by opposing the management accounting change, but was then supported by others in the organisation, which prevented the new system from being implemented. The study contributes to the accounting literature by shedding light on the factors behind accounting stability and change through the use of both Institutional and Structuration theory. The study raises further questions on whether management accounting change can also be facilitated by individual actors despite the opposition of the majority.

Granlund (2003) have based their study on Burns and Scapens' framework on Structuration theory in a Longitudinal case study of newly merged (same size) companies. Data were collected through 38 interviews (22 individual and 20 informal conversations), participant observation and documentation. The study found that Management Accounting Systems' (MAS) change is influenced not only by contingent environmental factors, making it a passive follower; instead this paper highlights the role of dominant actors in influencing MAS stability and change. The study also highlights the importance of Giddens' concept of unintended consequences of actions as there seemed to be an ambiguity in the goals of the merger which lengthened the integration process. The paper's main contribution is that it has provided a deeper understanding of the factors behind the barriers to integration during mergers and acquisition highlighting the role of MAS in the process by drawing from Giddens Structuration theory. The main limitation of this study is that it happened after the change has taken place, thus, does not capture the change in motion.

Seal, Berry and Cullen (2004) have also used Structuration theory to inform their case study paper conducted over one year, where data were collected via semi-structured interviews, documentation, observation and telephone calls. The study found that through the lens of duality of structure, inter-firm accounting has been used by the company to dis-embed and re-embed relationships with its supply chain. The study has contributed to the specific area of supply chain companies, however, the findings are not necessarily applicable to other industries.

Structuration theory has also been used by Seal and Ball (2011), more specifically Giddens' (1984) notion of Dialectics of Control. The paper is based on two case studies of public sector organisations: A county council and a metropolitan council.

The study was carried over a period of 4 years (2001-2003) and data were collect via 21 semi-structured interviews, observation and documentation. The paper found that budgeting in public sector is considered as a game and suggested a dynamic dialectics of controls framework to highlight the two stages of the budgetary game. The first stage is where the knowledgeable agents use the dialectics of control to get their objectives short-term, then the second stage is when the centre introduces reforms as a consequence of the failure of the first stage, making the centre more powerful. The main contribution of the study is that it demonstrated how budgetees can use dialectic of controls (Structuration theory) to influence the outcome of the funding received from the centre. The two stage findings are limited as it would be more interesting to look at the behaviour around budgeting in a much longer term to be able to identify a pattern or its absence. Similar to many previous studies, this paper has looked at the inter-organisational level and the budgetary role in the central government (funding body) and school (local government).

As it can be seen from the some of the main studies reviewed above that have used structuration theory either is isolation or as a part of a combined framework have all focused primarily on case study research and made use of mostly interviews to collect their data. Most of the studies have focused on the structural properties of budgeting and management accounting systems but have not fully explored the potential of structuration theory especially from the role of agency in a structuration process.

2.7.4.1. The contributions of ST to the accounting literature

Englund et al (2011) have argued that ST's contribution to accounting can be summarised in three points. The first is the duality of structure which suggests that the social or human actors should not be separated from the actions and principles of the

social structures. It is, indeed, this binding between structures and systems that distinguishes ST from other mainstream or even alternative accounting research. It is the duality of structures that contribute to higher accountability (Roberts and Scapens, 1985; Laughlin, 1988).

The second contribution of ST to the accounting literature is the three interrelated structures which are signification, legitimation and domination, that complement each other rather than being parallel to each other as it is the case in other alternative accounting research (Englund *et al.*, 2011).

The third input of the ST is its ability to make sense, or at least provide patterns that later inspired researchers to develop the sources of both continuity and change (Granlund, 2001; Englund *et al.*, 2011). ST has also stressed that the existence of structures is only virtual, which has given accounting a new dimension, and more importantly can explain many behaviours that can be categorised under agency problems. This point can see its origins in Parson's thoughts when he argues that people always have the choice, even though that choice can be limited according to Parson due to different factors. Nevertheless, and more philosophically, the constraint that limits choices that have been emphasised by Parson, can be seen as a choice themselves; a prioritising process of what is important in life over what it is not is a choice not a constraint.

2.7.4.2. Recent developments of ST in the accounting literature

As previously mentioned, ST is still attracting the attention of management accounting scholars (Coad *et al.*, 2015; Englund and Gerdin, 2014; Englund *et al.*, 2016) who do not question its past and potential contributions to the study of management

accounting; instead they debate which *form* of the theory is more relevant: Giddens' original work with its "*flat and local ontology*" (Englund *et al.*, 2016, p.254) or in its "*strong*" form introduced by Stones (2005) and applied in a number of accounting studies (Coad and Herbert, 2009; Jack, 2007; Jack and Kholeif, 2008; Coad *et al.*, 2015). Giddens's (1984) structuration theory came under much criticism regarding its vagueness, what some call "*flat and local ontology*" (Englund and Gerdin, 2014) and the fact that Giddens himself stated that the theory should only be used as a "*sensitizing device*". For the purpose of this research, these comments are not considered as limitations, in the contrary they allow the researcher to apply the theory in a way that enables the study of budgeting as a social system in all its complexity, bearing in mind the local and historically contingent results. In fact, structuration theory is not merely applied to test its validity, instead, it is used to guide and provide an understanding of budgeting as a social structure, making the theory a mean rather than an end in itself.

2.8. Criticism of Giddens' original theory

Giddens' version of structuration theory has been subject to much criticism from sociologists and social theorists such as Nicos Mouzelis, Rob Stones and others especially on Giddens' focus on the theoretical level and ontology in-general, lack of emphasis on how the theory can be applied to empirical meso-level studies, the overly voluntarist perception of agency, the lack of emphasis on external structures and his methodological bracketing (Stones, 2005; Stones and Jack, 2016; Coad et al, 2015). Giddens has himself been critical of the way ST is used in empirical research (Giddens, 1984) but defended the role of ST as a sensitising device that helps scholars make sense of social reality, rather than being a detailed prescriptive tool. Strong Structuration theory was developed building on the criticisms of structuration theory and has attempted to address them. The next section is devoted to a discussion of the main building blocks of SST and its merits compared to ST.

2.9. Strong Structuration theory

Strong Structuration Theory was coined by Rob Stones in 2005 in his book titled Structuration theory. Stones (2005) has used his critique of Giddens' original work drawing on critiques from other social theorists such as John B. Thompson, Margaret Archer, Nicos Mouzelis and William H. Sewell Jr to build his stronger version of Structuration Theory. Having started this study by looking at Giddens' work on Structuration theory, it was apparent that there were deficiencies that needed to be addressed which prompted the researcher to look into Institutional theory and more precisely Institutional Logics to complete and fill Giddens' lack of addressing external

structures. In a previous analysis, the researcher attempted to build a framework whereby external forces seen in the form of Institutional orders (Thornton et al, 2012) have been used to emphasise the aspect of context that binds agents' (individually and collectively) actions. However, the Institutional Logics' framework is too restrictive in that it focuses on vague institutional orders notably family, community, religion, state, market, profession and corporation, with too narrow characteristics for each order. In the meantime, a review of the Strong Structuration revealed a framework that has answers to the ambiguities of Giddens' work and enables a much more comprehensive empirical application of the theory.

In the same way that Giddens' structuration theory has been widely used in disciplines such as information systems and management accounting, Stone's (2005) Strong Structuration theory has also been used in healthcare studies, not-for-profit and public sector studies as well as management accounting research (Coad et al., 2015). This section is devoted to the discussion of the building blocks of Strong Structuration theory including a discussion of the quadripartite nature of structuration in contrast to Giddens' duality of structure, a greater emphasis on active agency, ontology in-situ and epistemological considerations.

2.9.1. Ontology in-general and ontology in-situ:

Giddens (1979 and 1984) has been criticised for maintaining an abstract ontological view and that it has not been adaptable to the study of what Stones (2005) refers to as the meso and ontic levels. Whilst there is still room for the ontology in-general in social theory, Stones (2005) has developed the concept of ontology in-situ as a key contribution of his Strong Structuration Theory (SST). In fact, it is the bridge between both ontological levels of analysis that constitutes the value of SST in the sense that

agents are operating at both the ontic and meso levels but are influenced and may to some extent influence the macro level. In Stones (2005, p.76) words: *“What I call ‘strong structuration’ encompasses ontology-in-general, and remains concerned to develop structuration theory at this level, but it also brings in an emphasis on what I have referred to as ontology-in-situ.”* The empirical researcher can still draw on the abstract ontological level concepts but also be able to dig deeper to understand the conditions of action, the agent’s intended and consequently unintended outcomes, the agent’s level of knowlegibility amongst other ontic level factors that cannot be captured through an abstract ontology framework. Therefore, Stones point on bringing the three levels of analysis together enables a more balanced and holistic understanding of the phenomenon an empirical researcher may wish to study. In a previous attempt to bridge this gap, this researcher has drawn on the Institutional Logics’ three levels of analysis: Macro, Meso and Micro (Thornton et al., 2012) which is addressed by Stones in his stronger version of structuration theory which is considered here to be at a more mature stage to inform this study.

2.9.1.1. Position-Practices

Stones (2005) highlights the importance of positioning the agents and events surrounding them in a time-space intersection. He goes on to stress how any study that does not make use of hermeneutics in combination with a structural analysis is not deemed to be a structuration study. Giddens’ work has been innovative and revolutionary precisely thanks to his approach to non-superiority of structure of agency and vice versa, which seems to be also highlighted in Stones’ work. However, where Stones differs from Giddens is in the level of analysis between the agent-structure interactions, whereby it is more difficult to achieve a meaningful understanding of it if

the analysis is conducted at the abstract ontological level and over a vast time period. Stones also brings up the notion of interdependence of agents, being inspired by the work of Kilminster on the concepts of 'functional nexus' which is a network of consciously and unconsciously connected agents and argues, rightly so, that such connections and analysis can only be done through a situated agent in a time-space intersection. More on the interdependence and interconnectedness of agents is to be discussed further on in this chapter.

2.9.2. The quadripartite framework for structuration:

As mentioned previously, one of the most important contributions of Stones and most used in accounting literature (Stones and Jack, 2016) is the 'quadripartite nature of structuration' that came as a result of an attempt to refine Giddens' duality of structure. The way Stones (2005) has presented the framework makes it look rather more of a process than a set of analytical notions surrounding an agent in-focus. Before going into a proposed modified illustration of the framework, it is essential to start by discussing Stones' four elements of the framework. Following Stones' (2005) classification these four elements are External Structures, Internal Structures, Active agency and Outcomes. From these four elements, Stones mentions how he considers duality of structure by referring to the internal structures as the medium agents' draw upon in their actions whilst the internal and external outcomes are the considered to be structures as outcomes. Stones also mentions that these outcomes become internalised and therefore become structures as mediums of action in the next round of structuration. Although Stones emphasises that agency is constantly present and is embedded within the action of agents itself, he does not mention how he considers the role of external structures in duality. It is rather argued here that the duality of

structure is embedded in each element of Stones framework. The internal structures can be both a medium of action but as Stones also rightly says the outcome of interaction and experiences gained from previous interaction. External structures are viewed here as again both the medium of knowledgeable agent's actions but to some extent can also be the outcome of these actions. This last point is bound by the notion of agency, as it is discussed further down in this chapter, which depending on how it is perceived can limit the conception of external structures as outcomes of an agent's actions. Agency itself is the medium and outcome of the internal and external structures. It just felt that the notion of duality in Stones' (2005) writing was somehow incomplete and limited. Before moving further in the discussion of the quadripartite framework, it is appropriate to first discuss each of its four elements:

2.9.2.1. External structures and outcomes:

External structures are structures that are existing autonomously from the agent in-situ but condition their actions. These can be either at the abstract ontological level or in the more conjunctural level in the immediate contextual environment of the agent in-situ. Stones stresses the importance of not only considering these external structures as independent, rather they should be considered from the agent's or social researcher's perception. These external structures have been neglected to some extent by Giddens, but have been addressed by Stones who considers them to be constraining and/or enabling the agent in-situ actions. The relevance of external structures is in their direct link with Giddens' stratification model, whereby these structures can be part of the agents' knowledge or could be unacknowledged which will in that case contribute towards the unintended consequences of that agent's actions.

Stones analysis also includes an element that will be discussed more in depth later, which is the inability of an agent to always act otherwise being restricted partially by these external independent structures that the agent is unable to control. However, Stones (2005) identifies two types of external structures based on their level of autonomy from and causal effect on the agent in-focus: “...*Independent causal influences... and irresistible causal forces*” (Stones, 2005, p.111). The former represents those forces that exist and are reproduced completely autonomously from the agent in-focus despite having a direct impact on them which makes Giddens’ notion of agency overly ambitious. The latter refers to those forces that have a causal effect on the agent in-focus who finds it very difficult to resist and act otherwise. In this case, the stakes may be too high for resisting those external structures, however, the agents can in theory still act otherwise but may be subject to severe consequences. The perception of these forces to be irresistible not only is dependent on the forces themselves, but also on the agent’s internal structures that would influence the what can be defined as irresistible and what is not. Stones acknowledges the fact that there is a degree of agency involved in the irresistible causal forces, however, he emphasises that real agents have a restricted freedom to act otherwise. Although, there are precise instances when the agent in-focus can choose to do otherwise and Stones (2005) has suggested three conditions: 1) the agent’s perception of their own power and capability, 2) the agent’s knowlegibility of the conditions of the action and the alternative options available, and finally 3) the agent’s ability to reflect critically and clearly on the conditions of their actions. These three conditions together make the agent’s ability to do otherwise more feasible, however these three conditions are themselves the outcome of internal structures such as “*class, age, cultural capital, sexuality, gender, race, ethnicity, and so on*” (Stones, 2005, p. 115) making it more

feasible for people from certain backgrounds than others to do otherwise when the external structures are irresistible causal forces. Another pertinent point that Stones make is in relation to the choice some agents may make of carrying on despite their ability to do otherwise. Stones' analysis does seem more realistic, however, the point is still not convincing enough as to whether agency is a desired impossible or it is always available. It does seem to be a lot more complicated than Stones makes of it. It does seem to be incomplete for a sociologist to start a debate on such a complex psychological notion, trying to depict when the agent's ability to do otherwise is possible and when it is not, and even the assumption that "*real people are less free to do otherwise*" (Stones, 2005, p. 112) is too narrow yet too simplistic. There are always examples of agency, in Giddens' terms, around making it a mundane example of how easy it is to resist external forces that can be overcome and resisted. Giddens' notion of agency is indeed abstract, but still stands as it does encapsulate the fact that there is always the option to act otherwise without stating how difficult or feasible it is to do so. The external structures cannot be dissociated from internal structures, as these are going to be discussed next.

2.9.2.2. Internal structures

Drawing on the work of William Sewell Jr, Stones (2005) emphasises the existence of two types of Internal structures: "*the conjuncturally-specific and the general-dispositional*" (p. 87). It is a distinction that is rightly made and can help an in depth analysis of the social interactions more effectively.

The general- dispositional is used by Stones (2005) interchangeably with *habitus*. By general-dispositional Stones (2005, p.88) means: "*...transposable skills and dispositions, including generalised world-views and cultural schemas, classifications,*

typifications of things, people and networks, principles of action, typified recipes of action, deep binary frameworks of signification, associative chains and connotations of discourse, habits of speech and gesture, methodologies for adapting this generalised knowledge to a range of particular practices in particular locations in time and space". These general-dispositions are embedded in every agent's conduct but only exist as memory traces. These are taken for granted habitus that agents draw upon intuitively and constantly that they do not necessarily notice them, but can do as they become more reflective (Giddens, 1984; Stones, 2005). These internal structures are carried within each agent and influence the way they perceive the world, act and interact with other agents in-focus.

The second type of internal structure according to Stones is the conjuncturally-specific and positional. This kind of internal structures is specific to the agent's role and position within society, organisation or collectivity. These bear an aspect of rules and norms about them and also inspire the agent with power. Stones links the internal conjuncturally-specific structures to Giddens' three structural properties of social systems. Moreover, these conjuncturally-specific structures are made sense of drawing upon the general-dispositional internal structures. The former is, however, limited to the agent's position or role and will influence and be influenced by the latter, which is a necessary consideration when studying structuration from an ontology in-situ. The conjuncturally-specific internal structures can become acquired knowledge in future similar positions and contexts therefore form part of the general-dispositional structures forming an evolving structuration process over time and space. This conclusion is not explicitly mentioned in Stones writing. Furthermore, Stones (2005) draws on Giddens' (1984) three structural properties to analyse the knowledge representing the conjuncturally-specific internal structures and adds that by doing so

we are linking the context specific external structures and the actual external structures. This is the point where the conjuncture-specific internal structures become more of a grey area that overlaps between the internal and external structures. Agents in-focus are positioned within a context whereby they are meant to draw on their internal structures in an attempt to interact with other agents in-context. Agents in-focus are part of a network of agents within a specific context and to help them with their interaction, the agent in-focus draws on the three structural properties to communicate, make sense, fit in, comply and/or act otherwise. Starting with interpretative schemes, the agent in-focus will be trying to make sense of other agents in-context actions, reactions, their own interpretative schemes and any potential intended or unintended consequences from this social interaction. It is perceived here that this is an ongoing process that agents in-focus do in a spiral way over time a space in a quest to communicate and remain connected to their network. When analysing the conjuncture-specific internal structures from a power perspective, Stones (2005) highlights that an agent in-focus is drawing on their own power position within the context of their interactions and those of other agents in-context. This process is bound by the agent in-focus's own interpretative schemes of these power positions and their knowledgeability of what sources of power they can draw upon. The third aspect of the conjuncture-specific internal structures are norms which represent the agent in-focus's knowledge and understanding of how they should act drawing on their general-dispositional knowledge, and beliefs, and on how they are expected to act in the context of the conjuncture-specific dispositions. In this respect, the agent in-situ can assess these norms based on their own perception of their power position and that of the other agent in-context, which is also motivated by their perception of their ability to do otherwise. As mentioned by Giddens (1984) and

reinforced by Stones (2005) these structural properties are virtual and only separated for analytical purposes as they do contribute to one another, enabling or constraining one another and as a consequence the agents who draw on them.

Overall, Stones' (2005) focus on the conjuncturally-specific he bridged the theoretical gap between the internal and external structures that was in Giddens' work. Although Giddens (1979, 1984) focuses on the interaction and how these structures are only apparent in interaction between agents, Stones (2005) has demonstrated that by focusing on the agent in-focus and the conjuncturally-specific conditions of action, there is a greater emphasis on those inter-agent interactions and how the agents in-context enable or constrain the agent in-focus.

2.9.2.3. Active agency

Agency occupies the centre stage in structuration in both Giddens' (1979, 1984) and Stones' (2005) work. In fact, Stones builds his vision of agency on Giddens but develops it further by also referring to the work of other social theorists. The discussion about agency as the agent's ability to do otherwise is embedded in every element of the quadripartite framework and has already been partially discussed in this chapter. In addition to that, Stones (2005, p.101-104) emphasises five aspects of agency which are inspired by Giddens.

Firstly, the horizon of action refers to the context within which the agent is acting as it will influence how they will act and on which conscious and unconscious structures they will draw upon. Secondly, creativity, improvisation and innovation are demonstrated when the agents adapt to the conjuncturally-specific context by drawing on their past performances, habits and internal structures but also on their perception

and understanding of the context in which they are acting. Action requires a level of responsiveness to the unknown conditions of actions that may arise in a situation and the agent's ability to adapt. Thirdly, degrees of critical distance and reflection drawing on Mouzelis' work on the "*levels of critical distance*" (Stones, 2005, p.102) and how these can affect the agent's internal structures. Fourthly, Stones emphasises the role of conscious and unconscious motivations in affecting how the agent perceives both the conjuncture-specific and the general-dispositions and how they draw upon them in their actions. Fifthly, Stones discusses agent's prioritisation processes into hierarchies of purposes drawing on both the nature of the action, the conjuncture-specific and the general-dispositions. The identification of existing plurality of possible actions agents face and their analysis from both a conjuncture-specific and general-dispositions is important and necessary for an ontologically situated analysis. The general-dispositions internal structures bring a number of pluralities including those related to the agent's roles in society as everyone plays multiple roles in society, being a professional, a charity volunteer, activist, parent, student and so on, but also those related to the agent's socio-cultural background, beliefs, values and so on. The conjuncture-specific internal structures bring plurality in relation to the meso-level position within context that the agent is trying to fulfil but also in relation to the other actors in-context. A multiplicity of possibilities and options can present themselves in a defined conjuncture which will either limit or enable an agent's ability to act otherwise.

Although Stones has separated the four elements of the Quadripartite framework, in the same way that Giddens has separated the three structural properties of a social system, it is only done for analytical purposes. By reviewing Stones writings, it is evident that the four elements inform each other and present an element of continuity

producing and reproducing over time and space. Stones' notion of active agency cannot be dissociated from the internal and external structures that combined together condition or enable the agent in-focus to act otherwise or to conform. The framework captures the complexities of social interactions in a simple way, allowing a much more in depth analysis of social practices than that of Giddens' abstract framework.

2.10. Alternative theory: Institutional Theory

Institutional theory has been used extensively in the management literature including management accounting studies (Greenwood *et al.*, 2008). The wide use of institutional theory as a theoretical framework highlights its polyvalence but also the various and different approaches to defining and using the theory to explain practice.

Institutional theory has evolved over the years, and it is important to revisit how it started, the different definitions of institutions and also the different branches of the theory. Institutional theory can be classified into three main streams: Old Institutional Economics, New Institutional Economics and New Institutional Sociology (Hoque, 2006; Greenwood *et al.*, 2008; Scott, 2008; 2013). Institutions can be defined as *“cultural-cognitive, normative and regulative elements that, together with associated activities and resources, provide stability and meaning to social life”* (Scott, 2001, p.48). Although Scott (2001) have identified three elements to institutions it seems that these can be mapped against the two main types of social structures in Giddens' work: Rules and Resources. Berthod et al (2017, p.1) defines institutions as the *“taken-for-granted beliefs, rules, and norms, shape the creation and spreading of organizational forms, design features, and practices.”* Again, the definition also highlights the three aspects of institutions that Scott (2001) and other institutional theorists have centred

their definitions upon. The emphasis is also put on the influential aspect of institutions on organisations. By complying with institutions, organisations gain legitimacy for their actions.

Institutional theory has evolved through three main phases: Old Institutional theory, New institutional theory and what can be considered as a stream of New institutional theory but which has developed the theory further is the concept of Institutional logics. The following sections will be devoted to the review of each of the three main streams of institutional theory.

2.10.1. Old Institutional theory (Institutional Economics)

Old Institutional theory or Economics (OIE) has long been used to study management accounting change (Hoque, 2006); therefore, it is important to give its historical development and a review of its foundations. Hamilton (1919) was the first to think of Institutional Economics as a substitute to the neoclassical doctrine. The major rationales behind bringing up institutional economics were the need for more control within institutions and the consideration that these are being subject to change, which was not relevant in neo-classical theory (Hamilton, 1919).

The OIE has been criticised for lacking an agreed upon definition (Hodgson, 2000), however, a definition given by (Hamilton, 1932) gives an insight on what the theory is about and is therefore commonly used (Burns and Scapens, 2000). Institutionalism is said to be *“a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people”* (Hamilton, 1932, p.84). This definition highlights concisely the process of institutionalisation and again puts the individuals at the centre by associating institutionalism to thinking and acting,

habits and customs. It can be said that Hamilton's (1932) definition adopts a bottom-up approach in the way it starts from individuals' actions and activities within institutions.

Hamilton (1919) has stressed the role of control in institutional economics, emphasising that what is needed when studying organisations is to consider them as a developing process where human behaviour is central. Therefore, old institutional economics and sociology are complementary and studying them together is a necessity to the understanding of the institutional change that can be reduced to human actions. Nearly a century old, institutional economics are still surviving even though there are various alternative theories that go back to the statistical mainstream.

The distinguishing feature of old institutional theory remains in rejecting the rationality of the neoclassic school associated with individuals' behaviour, instead, institutionalism highlights the influence of the institutional and cultural environment on individuals (Hodgson, 2000).

Indeed, old institutional theory is an economics theory which understood the very nature of economy, making individuals – and the subjectivity that comes with them – at the heart of the issue. According to institutionalism, individuals are shaped and constantly influenced by institutions and interact with other individuals accordingly (Hamilton, 1932; Commons, 1936). The actions of individuals become habits under institutionalism, which can be unconscious at times and develop into social norms over time (Hodgson, 2002). These norms become references for individuals' choices and actions, which are argued not to be native but shaped by institutions (Hodgson, 2002; Ayres, 1944).

On the other hand, institutionalism is not only shaping individuals' actions, but it is all about individuals' actions. The latter become habits which then become institutionalised (Veblen, 1919). Therefore, institutions are shaped by and are shaping individuals in a never ending social process (Commons, 1936).

Old institutional economics have been criticised for focusing on internal factors and processes of changes, ignoring the external factors that drive organisational change. The consideration of the external institutional pressures has been developed by new institutional theorists as discussed below.

2.10.2. New Institutional Sociology

Institutional Sociology has seen its beginning in the work of Meyer and Rowan (1977), Zucker (1977), DiMaggio and Powell (1983), Pfeffer (1982) and Scott (1981). Institutional sociology has gone through two major stages (Scott, 2008), the early institutionalists such as (Spencer, 1967) whose work consisted of making generalisations through the comparison of various institutions across different societies, which was followed by the work of Sumner (1906) who has emphasised the role of individuals in shaping the evolution of institutions in the form of mores and folkways which he says can not only be happening naturally instead intentionally. Sumner (1906) regards institutions as constituted of both a structure and a concept.

The emphasis on individuals has been provided by Cooley (1956) who sees the importance of the interaction between individuals in forging and adopting institutions. Cooley (1956) clearly puts it as he considers the individual to be a cause and at the same time an effect of institutions. These ideas have been developed further by Hughes (1958) who has also considered that institutions and individuals are closely

linked on a permanent interaction, where individuals act as the carriers of the institutions. The early work of institutionalists and that of the neo-institutionalists is not contradictory, in fact, it is a continuity of the fundamental ideas Abbott (1992) adopted and adapted to more diverse organisational contexts (Scott, 2008).

Max Weber, has been considered by many as the “guiding genius” (Scott, 2008) to contemporary institutional theory. Parsons’ (1949; 1990) is also another pillar of contemporary institutional theory as he, like Weber, combined the work of his predecessors – bringing together the subjective and objective approach to his analysis. Parsons (1949; 1990) – being very much influenced by Freud’s work – considers institutions to be a set of standardised norms which become part of each individual’s action. Although Parson’s contribution was valuable, his work has been criticised for lacking the objective aspect of culture, that is instead of being regarded solely internalised, is in DiMaggio and Powell’s (1991) eyes more of an objective structure existing objectively outside of the individual. Another influential figure is Pierre Bourdieu whose concept of social field influenced that – organisational field – used by DiMaggio and Powell (1983). Moving from the use of institutional theory as a generalizable framework of all organisations (Meyer and Rowan, 1977) to a more context and sector specific framework (DiMaggio and Powell, 1983) has enabled a better understanding of the institutionalisation process.

The foundations of neo-institutionalism in organisations have been fed by the raise of the importance of the cognitive aspects of institutions and the processes by which they are created, maintained and changed (Scott, 2001; DiMaggio and Powell, 1983) instead of the normative systems suggested by the early new institutional theorist such as Parsons and Hughes (Scott, 2005). Institutions are sought by organisations not

only to gain legitimacy, but also to reduce uncertainty and increase predictability of their actions (Berthod et al, 2017).

Institutional theory has moved on from the view that institutions – regulatory, normative and cognitive – have a unilateral influence on organisations (Scott, 2005). Institutions are rather more interactive and researchers have started to consider them as complex, may conflict or overlap (Friedland and Alford, 1991). Institutional theory has also become more accepting of the concept of agency rather than considering social actors' as solely being influenced by institutions (DiMaggio, 1991). Institutional theory is no longer only “top-down” but rather also “bottom-up” where institutions themselves can be changed and influenced by social actors, moving more towards institutional processes rather than effects (Scott, 2001; 2005). or The most recent developments in institutional theory is the concept of institutional logics (Thornton et al, 2012) which is discussed below.

2.10.2.1. Classification of institutions

Various Institutions have been identified by theorists over the years, and some of them focused on one type or another. The main elements of institutions can be classified into three major categories – pillars – which are: Regulatory, Normative and Cultural-Cognitive (Scott, 2008).

The regulative pillar consists of a set of formal written rules and laws or informal mores and codes (Scott, 2008; North, 1990). The enforcement of the regulative institutions is obtained through sanction and reward mechanisms, legitimacy (Weber, 1924/1968) as well as the employment of coercive third parties (North, 1990). The regulative pillar can be accompanied by certain emotions such as fear or relief (Scott, 2008) which

makes it closely linked to the normative pillar where emotions are a leading driver for compliance.

The normative pillar is considered to be constituted of norms and values that set the way individuals should behave. Expectations on the human behaviour in society exercise pressure on individuals to comply with the norms in fear of feeling the shame if they act otherwise (Scott, 2008). The norms are seen as both external objective institutions as well as internalised to the individual.

The norms are seen as a source of stability to organisations where the actors enforcing them can be either internal to the organisation or external such as the accreditation bodies (Stinchcombe, 1997). Many organisations today are subject to scrutiny by external organisations and universities are no exception. The stability of universities is assured by its top management but also by the growing number of accreditation bodies that range from its academic performance such as the Higher Education league tables, but also by its engagement in sustainability – mainly environmental – which is the case of the green league table.

The third pillar of institutions is the cultural-cognitive system which is *“the shared conceptions that constitute the nature of social reality and frames through which meaning is made”* (Scott, 2008, p.57).

According to the cultural-cognitive system, the individuals' actions are considered to be a representation of their cultural environment (D'andrade, 1984). The external cultural environment is also considered to have a major role in shaping the internal processes of meanings interpretation (Scott, 2008). The neo-institutionalists are primarily focusing on the semantic aspect of culture and how meanings are

constructed objectively – external to the individual. Considering the individuals as merely influenced by the external objective cultural institutions is like taking a close-up shot, where only one element of the big picture is visible. Institutions are themselves the result of individual actions and are influenced by individuals acting in isolation or in a collective form.

A commonality between the three pillars is that *“Institutions work both to constrain and empower social behaviour”* (Scott, 2008, p.52) which will be seen also in Giddens’s (1979; 1984) work on structuration theory. There is interdependence between the three pillars where they exist simultaneously and most of the time they overlap. The three pillars can be seen as three facets of the same concept or as a different interpretation of the same phenomenon made by theorists who are all focusing on a different aspect of the social system. It all comes down to norms – whether these are formal rules or informal practices and beliefs – but also to how these norms are conceived and transformed in the first place creating continuity and change.

The emotional feelings are also common to all three pillars of institutions, as they all provide two options to society: compliance – obedience – or non-compliance, which evokes fear of the sanctions of being non-compliant or disobedient to these institutions in all their forms.

2.10.2.2. Criticism of New Institutional theory

New Institutional Theory has received a number of criticisms. This can be seen through the way institutionalism was defined, how it emerged and the way it is used to explain reality. Powell and DiMaggio (1991, p.8) states that neo-institutional theory has *“...an interest in properties of supra individual units of analysis that cannot be*

reduced to aggregations or direct consequences of individuals' attributes or motives".

This, however, is not always the case. Institutions – especially – in change situations are usually the consequence of an individual's idea that has been legitimised – in democratic contexts - or enforced through power channels of fear – in less democratic contexts. Powell and DiMaggio's (1991) perception excludes the role of agency in the institutionalisation process which pushed a number of scholars including Thornton and Ocasio (2008) to address the issue and refine the neo-institutional theory branch through their work on institutional logics. In Scott's words (Scott, 2008, p.78): *"all actors, both individual and collective, possess some degree of agency varies greatly among actors as well as among types of social structures. Agency itself is socially and institutionally structured."*

Moreover, NIT has been criticised for neglecting how power is applied by the different institutional agents (Lounsbury, 2008; Lawrence *et al.*, 2011). NIT also focuses more on the similarities of intuitions and organisational practices and the homogeneity of these, rather than the differences and how these can be explained (Dacin *et al.*, 2002; Ezzamel *et al.*, 2012; Thornton *et al.*, 2012). It also tends to focus on how the 'status quo' can be preserved, rather than understanding processes of change (Thornton *et al.*, 2012). Furthermore, NIT neglects how institutional pressures are resisted, modified and adapted at the organisational level, instead, it focuses on how these pressures shape organisations in a top-down manner (Greenwood *et al.*, 2008; Edelman *et al.*, 1999). Another criticism emerged in the work of (Friedland and Alford, 1991) where they highlighted the fact that NIT does not situate action in its societal context and that institutional theory should be focusing on cultural symbols and practices in addition to material structures. These criticisms have paved the way for a new perspective on

institutionalism, and resulted in the work on Institutional Entrepreneurs and Institutional logics.

2.10.3. Institutional logics

Institutional logics are both an analytical method and a meta-theory (Thornton *et al.*, 2012). Institutional logics as a concept was first introduced in 1985 by Alford and Friedland arguing that the action of individuals and societies should be looked at in their context. Society is seen to be made of sectors, and each sector has a set of culture and material practices, resulting in a logic of action (Friedland and Alford, 1991). The scholars have then categorised the divergent logics of beliefs and practices within institutions into three institutional orders: capitalism, bureaucracy and democracy, highlighting how they influence individuals' actions. These sectors have been expanded further, to comprise: the capitalist market, state bureaucracy, democracy, families and religion – that are at the heart of western societies (Thornton *et al.*, 2012). Institutional logics are reflected in the taxonomies existing in societal sectors, that are themselves a set of practices and cultural symbols (Friedland and Alford, 1991). These institutional logics are both the outcome and the mean of individual, organisational and societal behaviours (Thornton *et al.*, 2012).

The focus of Alford and Friedland (1985) and Friedland and Alford (1991) has been on the inter-institutional and symbolic resources within social systems; however, Jackall's (1988) focus was on the intra-organisational contradictions and the normative aspects of institutions. The work of both Alford and Friedland (1985; 1991) and Jackall (1988) has inspired Thornton and Ocasio (1999) who defined institutional logics as *“the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material*

subsistence, organise time and space, and provide meaning to their social reality.” (p. 804). Therefore, institutional logics are regarded by Thornton and Ocasio (1999) as being a combination of the structural, normative and symbolic and that these should not be looked at separately. Despite the differences in defining institutional logics, the main purpose of the term remains to shed light on the importance of locating individual and organisational behaviours within their social and institutional contexts (Thornton and Ocasio, 2008).

Thornton and Ocasio (2008) and Thornton, Ocasio and Lounsbury (2012) have highlighted the precursors to institutional logics, being the studies conducted by Fligstein (1987; 1993) where the author suggests three conflicting logics of control that are manufacturing, marketing and finance. (DiMaggio, 1991) has also identified cultural differences as the source of power conflicts between the upper class and the new museum professionals.

These studies have all highlighted to some extent the role that cultural influences play in individual and organisational behaviours; however, they do not focus as much on the normative aspects of institutions in the same way that institutional logics do (Thornton and Ocasio, 2008).

2.10.3.1. Institutional Logics’ underlying assumptions

Institutional logics, as Meta-Theory (Thornton *et al.*, 2012) is underlined by five assumptions. The first assumption is the existence of *embedded agency*. Embedded agency suggests that actions of individuals and organisations are enabled and constrained by institutional logics, which differs from the macro level of institutional analysis (DiMaggio and Powell, 1983; North, 1990) and the micro level one that is

centred around individuals (Parsons, 1956). In the same line of thoughts, Thornton and Ocasio (2008), suggest that society is made of three coexisting levels: individuals, organisations and institutions. Most studies focus on one level or another, which was a point made by Alford and Friedland (1991) and is still not being fully addressed more than 20 years later (Thornton and Ocasio, 2008; Thornton et al, 2012).

The second assumption is that it regards society as *an inter-institutional system*. As discussed earlier in this chapter, it was Alford and Friedland (1991) and then followed by Thornton (2004) who suggested the existence of various institutional orders – logics – in society. These logics, provide a context, influence and are constructed by organisational and individual actions. The multiplicity of institutional logics showcases contradiction and agency as well as an interaction.

The third assumption of institutional logics is the existence of cultural and material aspects in each institutional order. From an institutional logics perspective, the coexistence of both the culture and material are used in the explanation of continuity and change of institutions. The inclusion of culture not only from symbolic and cognitive dimensions but also from a normative one, is one of the key contributions of Institutional logics to New Institutional theory (Thornton and Ocasio, 2008). Norms are regarded here not from a Parsonian perspective, rather, norms are *“drawn from experience and exemplars of the institution...”* and *“...imply ambivalence about universalistic principles, with both dominant and subsidiary norms co-existing.”* (Thornton and Ocasio, 2008, p.106).

The fourth assumption is the possibility of carrying an analysis across multiple levels. Alford and Friedland (1991) have stressed the importance of specifying the level at which the institutional analysis is carried. However, the diversity of studies adopting

an institutional logics' perspective resulted in the misuse of the concept to the level that what is considered by some as institutional logics, in fact it is not (Thornton and Ocasio, 2008). In fact, institutional logics are considered "*sources of legitimacy and provide a sense of order and ontological security*" (Thornton and Ocasio, 2008, p.108).

The fifth and last assumption of institutional logics is that it shares the "*historical contingency*" assumption with institutional theory. The principle of "*historical contingency*" consists of taking into consideration the time frame when carrying an institutional analysis. In other words, institutional logics are not stagnant, in fact their influence over organisations and individuals vary over time (Thornton and Ocasio, 2008). This key assumption opposes the suggestions made by Mayer and Rowan (1977) related to market rationalisation.

These five underlying assumptions have addressed the criticisms of NIT discussed above. Acknowledging agency, historical contingency, interconnectedness, multi-level analysis and the importance of cognition in institutional analysis, made the NIT even stronger and open to be applied in different fields and contexts.

2.10.3.2. Institutional Logics as an analytical method:

The key element in institutional logics is the existence of a collective identity in each one of them (Thornton and Ocasio, 2008). The naissance of institutional logics is related to the existence of commonality in norms, believes and cognition between the members of a group, that is the result of social interaction within that. The prevailing norms and cognition, shared by individuals within the collective becomes an institutional logic that influences their actions. An institutional logic is therefore present in the form of a profession (Abbott, 1992), industry (King and Lenox, 2000), a single

organisation (Dutton and Dukerich, 1991), or any form of “*social grouping*” (Thornton and Ocasio, 2008, p.111).

Status and power are mechanisms present in all organisations and groups. These mechanisms are regarded by many scholars to be influenced by their corresponding institutional logics (Thornton and Ocasio, 1999; 2008). Status and power are obtained, lost and modified through the means-end relationship between actors within organisations and groups (Lounsbury and Ventresca, 2003). This relationship is itself shaped by the relevant institutional logics. Actors rely on their interpretative abilities of the institutional logics to gain status and power within their groups and organisations, which through their social interaction result in the reproduction of these logics (Thornton and Ocasio, 2008).

Individual and organisational actions are also shaped by social categorisation and classification enabled through institutional logics (DiMaggio, 1997). This macro level approach regards an organisational shift from an institutional logic to another as an important factor in the change process of categorisation and classification, and even the meanings attributed to old categories, within organisations (Lounsbury and Rao, 2004). The categorisation and classification processes presuppose the existence of cognitive agency rather than mindless (Thornton and Ocasio, 2008).

Another way Institutional logics shape organisational and individual actions is through *attention*. Attention to what are the areas of importance that the organisation and individual need to focus on, which problems to solve and which solutions to go for to solve these problems are all influenced by the prevailing institutional logics (March and Olsen, 1976). Thus, Institutional logics provide a framework for legitimacy to organisational and individual actions and decisions. Additionally, institutional logics

help organisations understand their identities and interests and therefore, create the basis for better informed decision making and action (Ocasio, 1997; Thornton and Ocasio, 2008).

There are now seven institutional orders: Family, Community, Religion, State, Market, Profession and Corporation (Thornton *et al.*, 2012). Each order – sector – has its own distinctive prevailing logic, which determines and is determined by its root Metaphor, source of legitimacy, source of authority, source of identity, basis of norms, basis of attention, basis of strategy and economic system. Although, seven institutional orders are suggested by (Thornton *et al.*, 2012), these are indicative and in situations of organisational change these orders may overlap and mix resulting in hybrid logics.

Institutional Logics, is not without its limitations. Although the meta-theory provides a precise framework to the study of organisations, this in fact is a narrow view of social theory. The IL framework suggests seven institutional orders that are present in Western Societies, however, the list of orders is by no means exhaustive, as it is considered by the research that these orders are so intertwined that it would be nearly impossible to define the borders of one over the other, especially in the current socio-economic-political environment, where values, beliefs and practices are changing faster than ever before, disturbing established institutions and creating new ones. Therefore, using IL as a stand-alone theoretical framework would be a weak choice.

2.10.4. Institutional theory in accounting studies

There has been an extensive use of Institutional theory – in all its forms – in the accounting literature (Covaleski *et al.*, 2013; Moll and Hoque, 2011; Parker, 2011; Jrvinen and Parker, 2016, among others). Berry *et al.* (1985) have shown that seeking

external legitimacy has shaped management control systems that led to efficiency in the UK's National Coal Board. They have used the institutional theory frameworks by Cyert and March published in 1963 as well as Meyer and Rowan (1977). Institutional theory has also been used by Covalleski and Dirsmith (1988) to illustrate how budgeting is used by the University of Wisconsin to provide external legitimacy, establishing budgeting as an external legitimacy tool. Institutional pressures in the form of fiscal crises have also been identified to have played a role in the commercialisation of public administrative practices (Cooper and Hopper, 2007). Legitimacy has also been found to be achieved through the implementation of management control systems in a hospital, following change to the government's funding (Abernethy and Chua, 1996). Legitimation was also sought by the Spanish government in the then-public tobacco industry, when they implemented a cost management system that are successful in other industries (Carmona and Macias, 2001). Institutional theory has also been used by Hoque (2005) in the context of an Australian local government subject to NPM reforms, to understand the relationship between legitimacy and efficiency.

NIT has played an important role in understanding the role of budgeting in organisations and societies, other than being a tool for decision making, rather a social phenomenon used by organisations to legitimise their actions to society (Ahrens and Chapman, 2006). However, NIT has been used mainly in studying how institutions affect and shape accounting and explained the reasons why organisations chose to follow a certain accounting system or even reasons behind change, without allowing a deeper understanding of how accounting as an internal and social system evolves and functions. Institutional logics, as a branch of NIT is attempting to fill that gap and this was captured in the work of Ezzamel et al (2012) who deployed Institutional Logics

in a study provide an insight on the use of budgeting as a channel for changes in the educational field and how this leads to a change in budgeting itself at the organisational field. This change is found to be generating disputes and differences in perception at the organisational field due to competing logics. Although this study has captured the impact of institutional logics on budgeting, it lacks an insight of how budgeting is perceived in the light of these.

Ezzamel et al (2012) have also Institutional Logics in a longitudinal field study that focused on eight primary schools and eight secondary schools over two phases (1993-1999 and 2011). Overall, 116 interviews were conducted. The study provides an insight on the use of budgeting as a channel for changes in the educational field and how this leads to a change in budgeting itself at the organisational field. This change is found to be generating disputes and differences in perception at the organisational field due to competing logics. Although this study has captured the impact of institutional logics on budgeting, it lacks a definition of how budgeting is perceived in the light of these.

Institutional Logics has also been used by Jrvinen and Parker (2016) in understanding the adoption on management accounting systems in two non-profit healthcare organisations in Finland. Two case studies were conducted that relied on fifteen interviews, documentation and participant observation. The study presents a valuable application of institutional logics and institutional work and their impact the adoption of budgeting systems. Nevertheless, the study does not explain whether there are differences in the way budgeting is used and perceived in these organisations, from an Institutional Logics perspective.

The contributions of Institutional Logics to budgeting are still limited, and although the framework sheds light on the impact of these logics on organisational practices as well as the ability of organisations to influence and disrupt these established institutional orders, it seems that it has mainly been used at the organisational field level and has not provided an explanation of the conflicts arounds the power relations that budgeting can create. This study, as explained earlier in this chapter, is concerned with the examination of the role of budgeting and its evolution in the light of organisational and institutional changes. Although institutional logics can provide an explanation of the factors influencing budgeting, they do not enable a thorough understanding of budgeting as a social system and how it gets affected by the change in Institutional Logics.

2.11. Summary

This chapter has provided a comprehensive literature review on budgeting, its role, how it is perceived and used. It started off by reviewing studies on management accounting in general and how the function evolved over the years then a special focus was given to budgeting. In this study, budgeting is perceived to be socially constructed and plays a major social and political role in organisations and society. This stand has been captured in many of the studies reviewed, especially in public sector organisations where accountability and control are much more prominent. Budgeting as revealed in previous studies is not a mere technical, rational and objective tool, instead it is highly political and subjective which makes it a source of power and conflict in organisations and societies.

The main gaps identified in the literature and which this study aims to address are: Budgeting has been extensively studied in the literature, however, it seems that most studies have focused on its control purposes and legitimacy role especially in regards to external pressures and at the inter-organisational level. Another gap was identified, which was mainly to do with management accounting or budgetary change, in which case the studies focus on the process of introducing new budgetary systems or methods to organisations and how resistance to these can end up in the implementation failure, rather than looking at the changing role of budgeting and its evolution as a social process than as a technical tool in organisations undergoing change. These gaps are addressed through the use of a strong structuration framework which should enable a multi-level analysis of budgeting within its context but also understanding how budgeting evolves in light of organisational change and the role that agency plays in this. The application of the framework in the context of a changing English Higher Education institution will be presented in chapter four, following a discussion of the methodology and methods adopted to conduct this study which will be done in the next chapter.

3. Chapter Three: Methodology

3.1. Introduction

The third chapter of this thesis is devoted to the discussion of the methodology and methods used to conduct this research. Research methodology or design is a vital step in any research project, and the choice of a qualitative or quantitative research cannot be made in abstract terms, in fact, there needs to be a justification of how such choice has been made based on defining the philosophical assumptions underlying it (Morgan and Smircich, 1980; Morgan, 1980). This chapter is aiming to provide a map of the research undertaken, where there is a link between the researcher's view of the world, the theories chosen, the research aim and the methods used to collect and analyse data as suggested by (Hopper and Powell, 1985, p.430): *"...in any research it is suggested that individual values, philosophical assumptions, theoretical backing, and research methods should all be related to each other and to the aims of the research."* The researcher is trying to avoid providing the methodology chapter in a "textbook" like style by defining all of the existing methodologies and methods available, instead, this chapter will provide a discussion, critic and justification of the methodological choices made in this study. This chapter will start off with a discussion and justification of the philosophical underpinnings of this study, drawing from generic methodological literature and specifically that related to the accounting field. This will be followed by a discussion of the research strategy adopted, which in this case is a Single-Case Embedded study. The chapter will then move on to the presentation of the data collection and analysis methods adopted and the rationales behind them and provide an evaluation of the study's validity and reliability.

3.2. Philosophical positioning

Methodology represents the process of conducting research and should not be confused with the methods, which are techniques that help in the methodological process (Ryan *et al.*, 2002). The selection of the most adequate research methodology is influenced by the researcher's ontology – assumptions on the nature of the phenomenon's reality –, and epistemology – what constitutes a suitable source of knowledge to study the phenomenon (Ryan *et al.*, 2002).

Conducting research implies that the researcher is having a certain view of the world, which is referred to as research paradigm (Morgan, 1980). The appellation “paradigm” has emerged mainly from the work of Kuhn (1962). Understanding the paradigm through which the researcher views reality is essential and influences the way research is conducted and presented. There are four research paradigms which are: 1) Functionalism, 2) Interpretive, 3) Radical structuralism and 4) Radical humanism (Morgan, 1980).

The objective-subjective divide and the classification of both ontological and epistemological assumptions into “clear cut” categories, restricts the scope of research and a quest of understanding social reality. Although, Hopper and Powell (1985) recognise that the distinction between “radical structuralism” and “radical humanism” made by Burrell and Morgan (1980) poses a flawed subjective-objective divide, they themselves made the distinction between the Interpretive Accounting Research (IAR) and Critical Accounting Research (CAR) debatable. As an example, there is a debate about the distinction between interpretive and critical accounting research, where interpretive is said to be solely concerned with providing a descriptive understanding

of social reality; whereas, critical accounting research provides a more critical understanding and can lead to radical change (Ryan *et al.*, 2002). However, The Interpretative Accounting researchers have condemned that view and called for a stronger and more critical IAR (Ahrens *et al.*, 2008). Looking at the distinction between the different research philosophies more broadly Ahrens and Chapman (2006) argue that there are two main methodologies: interpretive and positivistic. This study is following the interpretive methodology which is referred to as “Interpretive Accounting Research” or “IAR”. IAR has been labelled as “alternative” (Ahrens and Chapman, 2006; Ahrens *et al.*, 2008; Parker, 2008) originating from when interpretive methodologies started to be adopted in the mid-1970s as opposed to “mainstream” positivistic studies (Ryan *et al.*, 2002; Ahrens *et al.*, 2008). However, the use of “alternative” when referring to IAR can be underselling the importance of such studies and the valuable contribution they bring to accounting research (Parker, 1994; Parker, 2008). The IAR allows the study of accounting processes from the inside, which enables a deep understanding and critique of these processes and structures (Parker, 2008).

The research philosophy adopted influences the methods adopted to select and collect the data, identify what represents relevant data and the methods used to analyse it (Saunders *et al.*, 2016). It is, therefore, important to be able to identify the researcher’s own taken-for-granted assumptions on how they view the world in order to be able to establish the other elements of the research process. In this study, the researcher considers the human interaction and processes that emerge from it as key to understanding the role of budgeting, how and why it evolves in the way it does in organisations. The researcher also considers budgeting and accounting tools in general as socially constructed structures that are subject to change and may provide

a different meaning to different actors within the same organisation. The nature of the theory used to underpin this study also requires a set of methodological and philosophical underpinnings which are concerned with not only the structural aspects of a social system but also how the conjuncturely specific context as well as the agents' own beliefs and perspectives. In particular, the researcher is concerned with looking at the outward facing conjuncturely-specific and external structures that agents involved in the budgetary process draw upon or what Stones (2005) refers to as context analysis, as well as the general-dispositional structures that these agents draw upon (inward looking) in their actions and interactions within a network of agents in-context or what Stones (2005) refers to as the agent's conduct analysis. Additionally, it is important to acknowledge that the whole study is built on the researcher's own internal structures including her socio-cultural background, beliefs and values that she uses to make sense of the agents' – subject to study – own interpretation. An understanding of the researcher's ontological, epistemological and axiological assumptions is discussed below.

3.2.1. The ontological assumptions

As briefly discussed above, the ontological assumptions represent the researcher's view on the nature of reality and can vary between subjectivism and objectivism (Saunders et al., 2016). Objectivism represents the view of the world that considers social entities as external and autonomous to the social agents, whereas subjectivism represents the view that social reality is about these social agents' perception of those social entities drawing on their own interpretative schemes (Saunders, et al., 2016). Social constructivism comes under subjectivism whereby the researcher considers social reality to be constructed through the perceptions of social agents and their

interaction with others and will depend on the situation within which they are operating. These social agents draw on their own perceptions and prior knowledge to make sense of reality and the actions of other agents, together socially constructing reality (Saunders et al., 2016). The researcher here does take the view that agents subject to study are knowledgeable and draw on their own internal structures (both the general-dispositions and the conjuncturally-specific) to make sense of external structures and of the agents in context actions. It is how the agent's use their interpretative, normative and power schemes in addition to their beliefs, values and socio-cultural background in making sense of organisational dynamics in the form of the budgetary process and interactions with agents in-context as well as the outcome of these interactions (socially constructing reality) that is of interest to the researcher. Therefore, the researcher is adopting subjectivism as an ontology in pursuing this study.

3.2.2. Epistemological assumptions

As stated above, epistemology represents the assumptions made by the researcher about what they consider to be the adequate knowledge to study in order to explain the phenomenon researched (Ryan *et al.*, 2002). According to Saunders et al., (2016) there are two types of researchers the “resources researcher” and the “*feelings researcher*” (p.134). The first type of researchers is concerned with facts and objects in studying social reality, whereas the second type is interested in attitudes and behaviours of the social agents. The researcher here does find the appellation “feelings” exaggerated in the sense that the interpretivist researcher does not rely necessarily on feelings, rather on the perceptions and qualitative aspects of social life.

The “resource researcher” belongs to the positivist or realist paradigm and the “feelings researcher” to the interpretivist paradigm (Saunders et al., 2016).

Positivism is concerned with collection of data that is observable and measurable. Positivist researchers draw on data that they consider objective to find regularities, causal effects and relationships to make generalisations. The positivist researcher would be focusing on analysing the objective data collected statistically and have quantifiable results with a methodology that can be replicated by others to be tested further. Realism is, like the positivism, also reliant on observable data and believe that it exists independently of humans. Realist researchers can be divided into two: direct realists and critical realists. The direct realists believe in that reality is observable which means if you can see a phenomenon or object it exists whereas the critical realists consider some of these observable facts as images of reality and may only be visual illusions. In that case, the direct realist researcher would be content with observable object and the sensation they get from it but the critical realist researcher needs to conduct one step further and that is the mental processes after the object or phenomenon is observed and sensed. Additionally, the direct researcher views the world as unchanging, whereas the critical researcher believes that the world is constantly moving and changing.

Interpretivist researchers can be critical of positivism as they believe that in order to capture the complexity and richness of social reality researchers cannot only reduce it to numbers, statistical analyses and generalisations (Saunders et al, 2016). Interpretivists are focused on understanding what makes social actors different from one another and their perceptions. Social actors, according to interpretivism, draw on their own interpretative schemes to make sense of their role and that of others in their

network which makes it interesting and essential for the interpretivist researcher attempt to view the world from the social actors' – subject of study – own understanding of reality. As this study is guided by Strong Structuration theory, the researcher regards that the best way to provide an in-depth understanding of the complex social reality of budgeting as a process in a changing English university is through portraying the perceptions and interpretation the various agents' views and experiences. It is through collecting data on how these agents perceive the budgetary process in the context of their role and the changing university. It is also important to make sense of these agents' own internal and external structures to be able to capture the complex social reality of budgeting. Accounting is considered here to be a social system, which makes it more meaningful to study through the eyes of those involved in producing and reproducing it.

3.2.3. The Axiology:

Setting the research Axiology is an important step in any research based project, specifically an interpretive study (Creswell, 2013). Axiology is concerned with the study of values and more precisely the researcher's values which represent an essential part of the research philosophy (Saunders *et al.*, 2016). The researcher's beliefs and values will determine the choice of the topic and the methods used to collect and analyse the data. In this study, the researcher acknowledges her philanthropic values and a belief in the common good. The researcher has a strong sense of making the world a better place to live and that Education at all levels can help achieve that. This study is conducted to shed the light on, and provide an understanding of, how budgeting is perceived, used and changed (or not) in a changing English Higher Education institution and ultimately determine the rationale(s) for it.

3.3. The research approach

After having discussed the philosophical positioning above, it is important to discuss the approach taken when conducting this research. The research approach refers to the reasoning process behind the study and its positioning based on the place that theory holds in the research journey (Saunders *et al.*, 2016). In other words, the research approach reflects the use of theory in the research process. There are three research approaches; deduction is where the theory is used as a starting point to formulate hypotheses to be tested through empirical research; induction where the theory is the outcome of the empirical research; and abduction is when there is a constant movement between theory and data which enables evaluating and/or modifying existing theories or coming up with new ones (Saunders *et al.*, 2016).

This study is an inductive study, as it will be generating knowledge for a specific context and the theoretical framework has been elaborated after careful observation of the context in which the study is conducted and initial collection of data. This study can be further investigated for generalisation purposes through other cases deductively.

3.4. Research Strategy

A research strategy is the plan that a researcher is drawing for their research project which includes how data is going to be collected and analysed to answer the research questions in line with the philosophy chosen (Saunders *et al.*, 2016).

The main determinant of a research strategy is the research question (Yin, 1994; 2013). The “how” and “why” questions are likely to fit in with a case study, therefore, an explanatory research (Yin, 1994; 2013). A case study can be defined as “... *an empirical enquiry that investigates a contemporary phenomenon (the “case”) in depth and within its real world context, especially when the boundaries between phenomenon and context may not be clearly evident...*” A case study “*cope with the technically distinctive situation in which there will be many more variables of interest than data points and as one result relies on multiple sources of evidence, with data needing to converse in a triangulation fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis.*” (Yin, 2013, p.16-17). The case study strategy is an empirical research that focuses both on the process of the phenomenon studied and the context in which it operates (Yin, 1994; 2013). The context of the study is based on a changing economy in the UK after the 2009 financial crisis, which had an impact on the Higher Education Sector bringing in changes to its funding structure and with it the entire prevailing logic of the sector. Case Study research is the ideal strategy for understanding budgeting as it is situated in time and space (Macintosh and Scapens, 1991).

There are four types of case studies: Single Case Holistic study and Single Case Embedded study, Multiple Case Holistic study and Multiple Case Embedded study (Yin, 1994; 2013). The rationales and limitations of each type have been summarised in Table 2 below. After careful consideration of the four types of case study design it was decided that this study is designed as a Single Case Embedded study for a number of reasons. First, the choice of the case study design is closely linked to the overall theoretical underpinning of the study (Yin, 1994; 2013) and can be used in a “critical” way to evaluate it – confirm, refute or modify it. A single case study can also

be used in the situation where the case is “unusual” or exceptional, but can also be used in the opposite situation when generalisations can be made from one case due to its commonality (Yin, 1994; 2013). Another rationale for using a single case study is when there is an opportunity for the researcher to study a phenomenon that was not previously accessible to researchers, which is referred to as “revelatory case”. The last potential rationale for undertaking a single case study, can be the possibility of conducting a “longitudinal case” that would allow for a deep understanding of the evolution of the phenomenon studied over time (Yin, 1994; 2013). Although, one rationale could be enough to justify the adoption of Single-case design, in this study it seems that there is not a clear cut between these rationales, in fact, a combination of these factors have motivated the choice of this design. The organisation chosen has seen a radical change at the start of the study, with a particular feature that is a senior management team constituted of a member with non-academic background, which is rare to see in UK Higher Education. The other rationale was that one case could be used in the development and assessment of a theoretical framework tailored to the study of HE institutions, which can at a later point be evaluated through replication in other cases. The third rationale, is the possibility to focus on the generation of data over a prolonged period of time – in this case 3 years – which would have been difficult to achieve from a resource and time perspective through Multiple Case design.

The choice of Embedded over Holistic was made due to the nature of this study, which requires a deep understanding of how budgeting is perceived and used by different groups within the university. Embedded case study allows the researcher to understand the phenomenon from within the case using multiple level analysis (Yin, 1994; 2013). Therefore, the main reason behind choosing a Single Case Embedded design is that it provides the researcher with the possibility of an in-depth collection of

data, hence, a depth of understanding of the phenomenon studied (Yin, 1994; 2013). Although a Single Case Embedded study may have its own limitations such as the misrepresentation of reality and the danger of it becoming too focused and lose the bigger picture (Yin, 1994; 2013) it is nevertheless a valuable strategy suited to the study of phenomenon that have a focus on meso analysis such as this one. The single case study provides a good fit with the theory guiding this research as it allows for an in depth analysis of the agent in-focus in relation to the agents in-context whilst identifying the relevant internal and external structures.

The other three types of case studies are not appropriate for this study as the multiple cases are resource and time intensive but most importantly may not necessarily lead to an in-depth understanding of the context specific and rich dynamics of budgeting. The attention of the researcher will be to find trends and differences between different cases rather than fully understand the why and how of budgeting change and continuity. As for the single holistic case, it provides a limited view of the phenomenon and is too abstract for such study not allowing for an in-depth understanding.

Table 1 Case Study Design

Design	Single-Case Study	Multiple-Case Study
Holistic	<p>Rationale:</p> <p>Critical.</p> <p>Unusual.</p> <p>Common.</p> <p>Revelatory.</p> <p>Longitudinal.</p> <p>No logical identifiable subunits.</p> <p>Theory used is of a holistic nature.</p> <p>Limitations:</p> <p>Abstract.</p> <p>Lacking in clarity.</p> <p>Change in the orientation of the study.</p> <p>Misrepresentation of the phenomenon</p>	<p>Rationale:</p> <p>Robustness.</p> <p>Replication logic rather than sampling logic.</p> <p>The number of cases is a discretionary judgement.</p> <p>No logical identifiable subunits.</p> <p>Theory used is of a holistic nature.</p> <p>Limitations:</p> <p>Abstract.</p> <p>Lacking in clarity.</p> <p>Change in the orientation of the study.</p> <p>Requires extensive resources and time.</p>
Embedded	<p>Rationale:</p> <p>Critical.</p> <p>Unusual.</p> <p>Common.</p> <p>Revelatory.</p> <p>Longitudinal.</p> <p>Provides focus to the study.</p> <p>Source of extensive analysis.</p> <p>Limitations:</p> <p>Can become too focused and lack the original organisational dimension in the study.</p> <p>Misrepresentation of the phenomenon.</p>	<p>Rationale:</p> <p>Robustness.</p> <p>Replication logic rather than sampling logic.</p> <p>The number of cases is a discretionary judgement.</p> <p>Provides focus to the study.</p> <p>Source of extensive analysis.</p> <p>Limitations:</p> <p>Can become too focused and lack the original organisational dimension in the study.</p> <p>Requires extensive resources and time.</p>

After having discussed the research strategy adopted in this study, the data collection methods and rationales behind them will be presented in the next section.

3.5. Data Collection

There are mainly two techniques of data collection; primary and secondary data (Saunders *et al.*, 2016). Primary data refers to information collected specifically for the purpose of the research and that can be generated via questionnaires, interviews among others (Saunders *et al.*, 2016). Whereas secondary data, is information that has already been generated by third parties for a purpose other than that of the research (Saunders *et al.*, 2016). In this research project both primary and secondary data is collected using semi-structured interviews and documentation – both internal and public documents. The process of having to collect data from various sources is referred to as triangulation of data, and this can be done in various ways. Triangulation is referred to as “... a way to get to the finding in the first place — by seeing or hearing multiple instances of it from different sources by using different methods and by squaring the finding with others it needs to be squared with.” (Miles *et al.*, 2014, p.300). In this thesis, triangulation has been used in various ways to satisfy the research objectives; the choice of the interviewees has been subject to triangulation, the theories used and the sources of data. This section is devoted to the discussion of the data collection methods and process adopted in this study. First and foremost, the rationale and process of the choice of the case is discussed next.

3.5.1. The choice of the case

The choice of the case to study constitutes a major and important starting point for any case study research (Eisenhardt, 1989). Bearing in mind that the purpose of this research is to develop the theory and to conduct an explanatory study rather than to produce statistical generalisations (Ryan *et al.*, 2002; Yin, 2013), the researcher looked for a case that could provide a situation of change with the possibility to have access to key personnel. The university that was chosen fulfilled the conditions aforementioned, as it was undergoing a major change following the arrival of a new Vice Chancellor. The changes announced were referred to as “radical” and involved the contribution of external consultancy firms. The researcher was able to have access to key personnel at the university chosen as most of the people contacted were willing to collaborate, which is essential for a qualitative management accounting study. The name of the university was decided to be kept confidential due to the sensitivity of the topic. For the purpose of this study the university is going to be referred to as Magnolia. The major source of data is semi-structured interviews that will be discussed in detail in the next section.

3.5.2. Interviews

Interviews are considered to be the most important source of data in case study research (Yin, 2013) which is also the case in this study. This study’s primary source of data is semi-structured interviews with key personnel involved in the budgetary process within the university.

3.5.2.1. Semi-structured interviews

Semi-structured interviews are most suited to this type of explanatory research as they provide flexibility and depth of information (Yin, 2013). Semi-structured interviews allow a predefined set of questions, to change the questions from interviewee to interviewee, and change the order of the questions asked, as well as adding probing questions or cancelling questions throughout the interview as appropriate (Saunders *et al.*, 2016). Conducting interviews according to Yin (2013) has two purposes; the first one is to pursue the line of inquiry set in the protocol of the study while at the same time asking the questions during the interview in a conversational manner so that a defensive attitude from the interviewee is not triggered. It is about the way questions are formulated, especially making use of “how” questions rather than “why” questions during the interview (Becker, 2008). These elements have been taken into consideration when the interview protocol was designed and when the interviews were conducted. By the end of the study, 20 semi-structured interviews were conducted.

The interviews have all been conducted face to face by the researcher herself, took place on the Magnolia university’s campuses and lasted between one to two hours. The venue of the interviews has been left to interviewees to decide, therefore some of them took place in the interviewee’s offices and some were taken in either meeting rooms with the exception of one interview – with a management accountant - that took place in a quiet and isolated area of a campus cafe. During the interviews the researcher was aware of the potential limitations of the interview as a data collection technique; therefore, she used probing questions (McKinnon, 1988) that would allow the informant to affirm or correct their initial answers. Another technique was used by

the researcher was to re-phrase the informant's answers to ensure the right understanding of their perspectives and minimise bias (Saunders et al., 2016).

The recorded interviews have been transcribed verbatim by an independent professional company based in the UK and with whom a confidentiality agreement has been signed. Transcribing interviews is a very time consuming task (Yin, 2014) and having had the possibility to outsource that task has saved the research valuable amounts of time. Nevertheless, in order to ensure the quality has not been compromised, the transcripts received have been checked by the researcher for accuracy. The interviews were collected between November 2013 and October 2014.

3.5.2.2. Sampling

As the purpose of this study is not to generate statistical generalisations, non-probability sampling techniques have been considered to suit the nature of the research question and the study. These techniques have an element of subjectivity to them (Saunders et al., 2016). The sample was selected using the purposive sampling method (Creswell, 2013) which enabled a targeted data to be generated based on the areas of expertise and ability of the participants. Purposive sampling is particularly useful in this case as it is a single case study so it was important to interview the right people to enable answering the research question and provides *"information-rich cases"* (Saunders et al., 2016, p.287) instead of a statistically representative sample. Three groups have been identified: senior management (comprised of the Vice Chancellor and the Executive team), Heads of Schools across the university who are at the same time academics with a management role that involves being responsible for budgetary decisions and the third group is made of the preparers of budgets who are the management accountants and executive administrators. The choice of

interviewing three different clusters of stakeholders has also been identified from the literature where it states that in order to get the full picture “... *questions to be asked at the various hierarchical levels down to the first level of management and the gathering of evidence about patterns of usage and behaviour at each level, so as to understand the overall effects of the PMSs*” (Broadbent and Laughlin, 2009, p.276). It is also in line with the guiding theory, where it is important to carry on both an agent conduct analysis and a context analysis where the agents in-context are a valuable source of data to enable a complete understanding of the phenomenon studied (Stones, 2005).

The participants were identified through a contacts search on the university intranet website, where all of the senior managers and heads of schools listed on the website were contacted via email. Regarding the management accountants, the strategy was to understand the perspective of the head of management accounting, senior management accountants, management accountants and school executive administrators who all participate in the preparation of budgets. These were also identified through a search on the university website where the central Finance department was found and helped identify the personnel to contact. The emails sent out to solicit an interview did explain what this study was about and that the interview will be voice recorded if the interviewee permits it. The email also stated that the interviewee's identity will be kept confidential and only the role will be disclosed without referring to the school or discipline. This was also mentioned at the start and finish of each interview. There were no objections to the recording of the interviews nor any expressed or noticeable discomfort towards it, which was an advantage as this minimises the bias in reporting the findings (Yin, 2013).

3.5.3. Documentation

Documentation is a common source of data in case studies (Yin, 2013) and can come in divers forms from emails to news articles. The use of documentation is generally done for corroboration purposes to confirm or contrast the findings obtained from the primary source of data (Miles *et al.*, 2014). In addition to being a source of triangulation and corroboration of other sources of data, documentation also provides an invaluable source of context (Marshall and Rossman, 1999) essential for a good case study design. In this thesis, documentation is indeed used for corroboration purposes but also constituted an important source for contextualising the case studied. The documentation collected was either available in the public domain – in that case it was the university's new strategy, annual reports and newsletters by the Vice Chancellor – or internal documents such as minutes from strategy meetings. The documentation helped greatly in guiding the direction of the study in the early stages and identifying how budgeting has been used in the change process through extensive talks about budgets, surpluses and underspending in the lead up to the new strategy, during the strategy discussions and when the strategy started to be implemented.

Nonetheless, the researcher is aware of the potential limitations that come with the use of documentation, notably, the bias that come with them as they can be done for a purpose that contradicts with that of the study (Hammersley and Atkinson, 2007). This is particularly valid in times of change where top management is almost selling the new strategy and what it will bring to the university, however, this bias can be avoided by acknowledging it and assessing the documents used in the light of their context (Schwenk, 1985), which was taken into consideration when the data was processed and analysed.

3.6. Data Analysis

Once all the data have been generated through interviews and documents, the analysis stage has begun. The data generated through the interviews and documents was very large and needed to be managed effectively. In this project, the researcher has drawn principally from the work of (Miles and Huberman, 1994) and (Miles *et al.*, 2014) to analyse the data generated. (Miles and Huberman, 1994) framework suggests three activities in qualitative data analysis: data reduction, data display and data drawing.

The data reduction stage is referred to by Miles and Huberman (1994) as “...*the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions.*” (p.10). This stage is where the researcher organises and filters any irrelevant data in a first step towards the analysis. During the data reduction stage the researcher identified that in order to manage the large amount of data, a software was needed. The data are of qualitative nature and the most appropriate software identified by the researcher was QSR NVIVO10. The software was used as a tool for managing and organising the data rather than a code generator. Scapens (2004) expressed his scepticism about the use of QSR which the researcher also shared initially, however, after an attempt to use Word documents and Excel Spreadsheets proved ineffective, the researcher decided to use NVIVO10 to organise and generate codes manually. QSR NVIVO10 has a function to automatically generate codes, however, the researcher decided not to opt for it as the analysis obtained was meaningless and not relevant for a study of the budgetary process with all the complexities around understanding the role of the different agents involved in the process, their perceptions and the context of their actions. It was vital for the

interpretative researcher to read through every interview transcript multiple times and in full to be able to generate themes that have been mostly informed from the literature and the theory. The interview protocol itself was drawn from the theoretical framework in Chapter two.

Data display as the second activity in the data analysis process is referred to by Miles and Huberman (1994, p.11) as "...an organized, compressed assembly of information that permits conclusion drawing and action.". Although Miles and Huberman have differentiated between the data reduction and data display, it seems that these processes can be simultaneous due to the use of NVIVO10, and this how the researcher proceeded. The process of coding the data is done through uploading each transcript and document, reading through it and highlighting parts of the text and associating it to a predetermined theme (code). This process has permitted an ideal visualisation of the data where the quotes from each code are consolidated and displayed in a "code file" with the ability to be redirected to the position of the quote in the original transcript or document. Theme identification was done continuously and repeatedly until a refined and coherent set of data was obtained which would allow for conclusions to be made.

The third and last activity of the data analysis process according to Miles and Huberman (1994) is Conclusion drawing, which refers to the process of "... *noting irregularities, patterns, explanations, possible configurations, casual flows and propositions.*" (Miles and Huberman, 1994, p.11). These patterns and possible explanations have been an integral part of the data analysis process since the start, as the researcher recognises the continuous reflection, interpretation and iteration between the theory and the data. This process is acknowledged by the researcher as

interpretive and subjective; nevertheless, every attempt has been made to ensure that the perceptions of the interviewees have been kept intact by backing every theme and conclusion by the corresponding verbatim quotation from the data. In an attempt to ensure the reliability of the data, the analysis has also been reviewed independently by the research supervisor.

3.7. Validity and Reliability

In order to ensure the design and findings emerging from this study are trustworthy and credible, the researcher has used the tactics suggested by (Yin, 2013) to assess the validity and reliability of the study.

3.7.1. Construct validity

Construct validity refers to the ability of the researcher to identify the right operational set of measures to the study of a phenomenon. Demonstrating construct validity can be done through various tactics, though in this present study, the researcher has used multiple sources of data as previously discussed in this chapter, and by establishing a chain of evidence through the use of NVIVO10 that provides traceability.

3.7.2. Internal validity

By internal validity Yin (2013) means that a relationship exists between constructs and that the phenomenon is linked to the factors established in the findings. In this study the internal validity has been fulfilled through pattern matching in the data and through within the case analysis.

3.7.3. External validity

External validity refers to the ability of the findings generated from the research to be generalizable to other cases. In the situation of a single-case study Yin (2013) suggests the use of theoretical propositions to verify the external validity of the findings. In the present study, theoretical propositions have been set at the beginning of the study in the form of a theoretical framework. In the case of a qualitative case study, the purpose of the researcher is not to draw generalisations from the data rather it is theoretical generalisations that are more of interest (Saunders et al., 2016). The research is adopting Strong Structuration theory and therefore this study reflects Stones (2005) view on generalisability in the sense that sociological phenomena are best studied in the context of their conjuncturally-specific contexts. In the context of management accounting research Macintosh and Scapens (1990) have also endorsed this view especially as Management Accounting Systems are bound by context and historical contingencies.

3.7.4. Reliability

Reliability refers to the ability of the study to be repeated exactly as it was conducted and still lead to the same results. In data was collected using semi-structured interviews using a predefined interview protocol (available as an appendix) that was theoretically informed. In the case of interpretative research a level of subjectivity remains as the analysis of the data depends on the researcher's own interpretative schemes (Saunders et al., 2016) which is also in accordance with the theoretical view adopted by Strong Structuration theory (Stones, 2015), however, in an attempt to minimise bias in the interpretation of data the research supervisor has also verified its

reliability. Data has been analysed through the use of NVIVO10 which enabled the researcher to store and manage the data and the analysis.

3.8. Summary

The aim of this chapter was to provide an insight into the researcher's methodological standing. The chapter was started by establishing the research's philosophical underpinnings and how they link to the theory, followed by the presentation and justification of the research strategy adopted. The data collection and data analysis methods have also been extensively discussed to demonstrate the robustness to the study. The researcher considers the methodology chapter as one of the pillars of any research project and determines its quality and credibility. The next chapter will be devoted to the presentation of the findings generated following the design discussed in the current chapter.

4. Chapter Four: Findings

4.1. Introduction

The changes in the English Higher education environment have contributed to what can be called an 'identity crisis' of the sector. In this research, having a deep understanding of the changes in the university's macro environment and its impact on the sector in general and on Magnolia in particular are considered to be vital to the understanding of how budgeting within the university is used, how it evolved and who are the main players and why they are that way. Therefore, this chapter provides an insight into the factors contributing to the change happening at Magnolia, the roles that budgeting plays in the change process and how it has changed.

In 2013, the Vice Chancellor has announced a new strategy for the university which highlights the change in the English higher education sector, the vision of the university and ways this can be achieved by 2026. This chapter presents the research findings from various sources of data collected at Magnolia. The themes developed in this chapter have been influenced by the theoretical framework discussed in Chapter Two.

Overall, the findings have revealed that budgeting comprises both a process and an artefact. Budgeting as an artefact is the document produced outlining the forecasted income and expenditures; whereas the process of budgeting is about how the artefacts are used, decisions are made about and through them. The data collected is very rich and enables drawing the bigger picture of budgeting within its context - a changing English university – and as a dynamic social process.

4.2. An assessment of both macro and meso level external structures

The university subject to study has been undergoing change to the way it operates. These changes have been the result of both internal and external institutional pressures. A new strategy has been put together by the University Executive Board in 2013, where the changes and the new direction of the university were outlined. All the interviewees have acknowledged that the new strategy was the result of a combination of factors. From a sector perspective, one senior manager talks about the factors that contributed to the change:

“universities are being subject to what 1970s neo-liberal economists called ‘shock therapy’ ... because if you look at the number of changes impacting... all universities the removal of student number controls or caps, the removal pretty well of direct State funding for teaching because students having to pay for it, the shift ... from the State to the individual to pay for their education, greater concentration of research funding and potential threats to the future of research funding. These are just UK factors that are impacting on the sector.” (SM2)

Another senior manager states how a combination of both external and internal factors have resulted in changes at Magnolia, saying that:

“... there’s a combination of the changing environment which means we need to be more strategic in our thinking and also a Vice Chancellor coming in who can drive and own and implement that strategy.” (SM1)

The interviewees have all been asked about what they consider to be the drivers for the change at Magnolia and have all mentioned similar factors. By doing so the researcher attempted to get an understanding of the participants’ thought processes

and assess their own knowledgeability of the environment where they operate both at the macro level and meso level. These opening questions have also been a subtle way to start interviews and making the interviewees at ease rather than starting by asking about budgeting straightaway. Hence, the following sections will focus on emphasising what do the research participants perceive to be the external and internal factors that contributed to the change at the university, which have also had an impact on the way budgeting is used and perceived at Magnolia.

4.2.1. Macro level external structures

There are a number of changes that happened to the English higher Education sector which have been mentioned in all of the interviews, strategy document and in the day to day discussions around the university and are considered to be the drivers for change at the university level. One Head of school has stressed that as the environment of higher education is changing, the university has to follow and change; as they put clearly in the statement below:

“Well key drivers are environmental drivers, because the contexts are there and then the funding changes and then the student and the parents’ perception changes; the Government policy changes; so... organisations have to change.”
(HoS1)

The changes in the environment of English Higher Education will have an impact on Magnolia, but it is not all negative. In the words of a Senior Manager:

“So I think the changes in government policy have brought significant changes to higher education. In the last couple of years, we’ve seen changes that we’ve not seen in whole generations probably...that brings with it many opportunities. It brings with it lots of challenges as well, but I think what we’re trying to do is

to ensure that we're as well-positioned as we possibly can be for the changes that are coming about, particularly in 2015 with the cap coming off.” (SM3)

From the responses of senior managers, it was noticed the level of optimism vis-a-vis the change seeing it mostly as an opportunity for the university to grow. Throughout the interviews, there was a pattern of the factors identified as drivers of change mentioned by all interviewees as well as identified through university documents and newsletters. The first driver was considered to be the introduction of the £ 9000 fee and the second one is the lift of the student numbers cap. It is interesting to note that the first external driver has been introduced the year before whereas the lift in the cap was a new proposal that has not taken effect yet. As a consequence, interviewees have identified that these changes are contributing to an increased competition amongst universities. These three factors are going to be outlined in detail next.

One of the very important and early external factors was the introduction of the £9,000 fees for home and EU undergraduate students since 2012. English universities, Magnolia included, had to rethink their funding structure but also their spending. As many of the interviewees pointed out:

“The first one of course was the government’s introduction of the 9k fee and how’s that impacted.” (SM3)

“The biggest change nationally has been the introduction of the £9,000 fees and hence the majority of our income now comes directly from students who choose to study at “Magnolia” so it has made the recruitment of students even more demanding and challenging than it ever was.” (SM1)

The interviewees noticed the change and its impact on the priorities of the university which have increased pressure on recruitment and marketing as well as on providing value for money as one head of school has mentioned further below. The introduction

of the £9,000 fee has created a shift in the essence of the word university and what Higher Education means. In this instance, two streams of thought have emerged: the ones who believe the university has become a service provider and those who argue against it. One Head of school argues that the introduction of the £ 9000 fee had an impact on students and their families' perception of what it means to go to university, which is putting another kind of pressure on Magnolia as a consequence:

“Now we have to be really conscientious about value for money because there is a perception that the students, or student families, pay for the tuitions. Then the university is a service provider... This kind of service model becomes more explicit and therefore you need to really make sure that they pay that much and you have to give them that much. A good quality.” (HoS1)

However, another Head of school seems to disagree with the idea that the introduction of the £ 9000 fee should make the university a service provider; The Head of school explains how:

“On a personal level I intensely dislike the idea of a student being seen as a customer. I think that's a, it's an easy, lazy, intellectually vapid way of doing things, usually generated by people who perhaps have not got quite a deep enough understanding of what higher education is about. I don't think I can be any more subtle than that. It's a, partly because your relationship with them as a learner is more than just somebody buying product... you're trying to build a learning community and it's very difficult to do that when you feel that you're the one providing a service rather than being a facilitator of somebody becoming a better person in many ways.” (HoS4)

Although there is a divided opinion even between academics themselves on how the university should be regarded, a service provider or not and the nature of the relationship between the student and the university, there was a consensus about the fact that the university is changing as a result of the introduction of the £ 9000 fee.

The second change, mentioned in interviews, in the English Higher Education macro environment is the lift of the cap on the number of students allowed to be recruited by universities. The lift was announced in 2013 by the Chancellor of the Exchequer with effect from the 2015/2016 academic year. English universities had a cap on the number of Home and EU undergraduate students they can recruit each year, with increasingly heavy sanctions if they over recruit. There are a number of reasons behind the abolishment of the cap, but the most important one is *“an attempt to produce a higher education market...”* which will lead to the *“...liberalisation of English higher education”* (HEPI,2014, p.7). This announcement has not gone unnoticed by the research participants with varying degrees of optimism as to what it may mean for the university. However, one thing was certain from the interviews is that the lift of the cap on student numbers has brought major uncertainty to English universities in general and Magnolia in particular as it is in the top 25 universities in the major league tables without being in the Russell Group, which can affect the quality and quantity of students it attracts. The uncertainty is also directly linked to the finances of the university as the following senior managers argue:

“If you go back ten years maybe or even just five years, each year the university could predict pretty well the number of students it was going to be able to recruit each year, the quality of those students and the subjects that they’ll go to study in. It’s now massively more uncertain and the lifting of the student cap is going to increase that even more.” (SM1)

“...Then we also have the changes in the what was AAB and then ABB students in terms of free and core student numbers and the way that the government was controlling student numbers that way and of course the fact that the cap on student numbers is being lifted as from 2015. All of that impacts financially on the university.” (SM3)

The increased uncertainty that will be brought by the lift on the cap on students' numbers is also putting pressure on universities to recruit more and potentially lower quality students to be able to achieve its financial targets. One Head of school highlights another challenge that comes in with the lift of the student numbers' cap, which is in a way contributing towards the creation of an English Higher Education market as suggested in the Higher Education Policy Institute (2014) of the sector, pushing universities to compete for numbers to assure their financial sustainability as mentioned by one head of school:

"...And of course you're in a sort of a zero sum gain in the sense that there's a fixed pool of students and if you get them somebody else doesn't and so you're competing with your peer institutions for that pool of students." (HoS4)

As the uncertainty brought by lifting the cap on student numbers, will make the English Higher Education sector more competitive, there will be an adverse impact on the budgeting process at Magnolia. One Head of School explains that:

"the changes in the funding for home undergraduates and the changes in the cap. So obviously this has made things much more competitive of course because the changes that happened have been quite radical... so that is making the situation rather volatile because you're trying to respond and you're not kind of sure what the effects of this are and you're not sure what competitors are doing. And so certainly in relation to sort of budgetary things for the university as a whole and more locally it's difficult to project what the effects of that are going to be and certainly 'Magnolia', I mean I don't feel 'Magnolia' is in a good a place as some other universities." (HoS2)

The volatility mentioned by the interviewee in predicting numbers makes it difficult to budget especially when universities have a more or less rigid costs structure mainly full time permanent staffing costs and running costs of buildings and facilities. The Head

of School continues, by explaining how the lift of the cap can pose a challenge, particularly for Magnolia:

“if we lose the stronger students at the top then we have potential to bring in weaker students lower down, though that’s not a hugely attractive proposition because we want strong students for various league table measures as it feeds into things like employability and league table measures based on student quality and also in terms of supporting Masters and PhD programmes one wants strong undergraduates.” (HoS2)

Although the lift of the cap on student numbers is one change but it is expected to have a vicious circle effect on Magnolia in particular as the head of school argues it may push the university to be short in numbers as the universities higher up in the league tables will be recruiting from the pool of students that would traditionally go to Magnolia. As a response Magnolia will have to drop its entry criteria which will affect the quality of the students it attracts and will have a negative effect on Magnolia’s ranking in the various league tables as a consequence, making it attractive to lower quality students and so on. Although the lift of the cap on student numbers is on affecting the UK and EU undergraduate markets, a drop in the league table rankings means a potential negative effect on the international, postgraduate and research markets. Although, it may seem from the comments above that the abolition of the student numbers’ cap only poses a threat to some universities, it has also been noted from the data that it can represent an opportunity.

On a more positive note, the lift of the cap on Home and EU undergraduate students is likely to allow English universities to cater for an increase in demand for Higher Education. Participants have mentioned, it seems that higher education is perceived as a must-have by a growing number of people around the world, which creates

increasing opportunities for British universities to expand and recruit more students.

One Head of school explains the changes in the perception of higher education:

“The changes in the use will be more supply centred and now it is more demand centred, so it is kind of a demand from society. So this is kind of paradigm has been changed. If you talk about the really longer term and broader sense then higher education used to be a luxury, but now a necessity.” (HoS1)

In the same line of thought, a Senior Manager stresses the positive impact of the increase in demand and the lift of the cap:

“...one massively increased demand for higher education especially by aspiring middle class students and families from all around the world, along with a much greater ability to be internationally and globally mobile. So the demand has increased which has given ‘Magnolia’ a big opportunity to recruit more overseas students and the income stream from those students is of heightened importance now because of more constraints on income streams from the traditional sources.” (SM1)

However, as mentioned above, the lift in the cap is only directly affecting the UK and EU undergraduate markets which makes this optimism rather dubious. As a summary, English universities have been faced and will be faced with further disruption to their Marco environment as a result of the introduction of the £9000 as well as the lift in the student numbers’ cap with mostly challenges for Magnolia as it has been noted from the data. Magnolia is in particular fragile position as it is not in as stronger position as some of its competitors in the market who may find this as an opportunity. Therefore, not all English universities are affected by the same level of challenges these changes are and may bring. The next section will be looking at the Meso-level external drivers for change.

4.2.2. Meso-level external structures

In addition to the Macro level external environmental factors, there are a number of internal rationales for the strategic change at Magnolia. Mainly two factors have been mentioned throughout the interviews which are that change is seen as an organic process and the second is the arrival of a new vice chancellor in 2012.

In addition to the factors discussed above, interviewees have all mentioned that readiness to change and a desire to become more efficient was one of the motivations for the change at Magnolia:

“...if there are more efficient ways to do it, you should do it anyway, whatever the strategy is and then you use the savings to kick start our investment in modern languages or agricultural, business or whatever it is.” (SM5)

“...we need to look into efficiency and effectiveness, so that is the kind of thing that we need to do. Partly due to the funding change, partly we would like to do that. We would always like to look into this kind of improvement in efficiency and effectiveness.” (HoS1)

The head of school continues by stressing how change seems a natural thing to do as a university drawing on the collective views of the organisation:

“Also within the organisation we feel that we have to change. If we don’t change, then we don’t have good ranking and then a lot of the things you have to suffer.” (HoS1)

It can be noted from the comments above that the external factors and increased competition in the sector have been indeed rationales behind the strategic changes at Magnolia, however, these factors have found a fertile soil to grow as the university had a level of readiness to change. The other factor mentioned by the majority of

interviewees apart from two senior managers (including the vice chancellor) was the appointment of the new vice chancellor in 2012. As one senior manager has put it:

“Well strategic directions for universities are as a whole are very much the direction of the Vice Chancellor. Now each of the Pro-Vice Chancellors who’ve been here for some time, have had strategies for their particular areas... We appointed a new Vice Chancellor in 2012 I think and part of his requirement to come in was to put the university on a strategic direction so it’s through his influence that he’s shaped and formulated a strategy for the university as a whole. That doesn’t necessarily override or change existing strategies; I think they’ve become embedded within that. Whether one might look back at our previous Vice Chancellor and one might say did he have a strategy, had he implemented one, I’m not entirely sure whether that’s the case or not but the change of a Vice Chancellor is always a good time to bring a new strategic vision in...” (SM1)

Although, the overall perception seems to be that the arrival of the vice chancellor is a pivotal point in the change process at Magnolia, the data also suggests that the vice chancellor is a change facilitator rather than it was only up to them to bring in the change. This can be particularly depicted from the fact that in the above quote it mentions the vice chancellor having a mandate. However, that does not necessarily deny the fact that the new vice chancellor had no active agency to draw upon when they arrived at Magnolia.

Heads of school have also acknowledged that the arrival of the new Vice-Chancellor has facilitated and lead the strategic change at the university especially with their non-HE background:

“I think the VC himself is leading this, the team for change and then there is really a team of strategy... Then there is also a consultancy firm... who have been invited to advise us of how to make change. It is very important to know

how to change without upsetting the current operation, so continuity is important in our operation. Then he has set up a lot of task groups.” (HoS1)

One thing can be noticed from this quote and that is the perception of the head of school as to what the new vice chancellor is able and willing to do: a smooth change process that can maintain stability. Another head of school also draw on their own perception and knowledgeability of the vice chancellors’ profile as a driver for him to embark on this change process:

“... I think this VC came in from a non-HE background, a deeply educational background, found this a really exciting challenge, took him a couple of years to get around the place and I think he sensed that there could either be a major change or accommodation to change and I think he’s recognised that major change is absolutely necessary.” (HoS3)

As mentioned at the start of this section, the strategic change that is happening in Magnolia is driven by a combination of macro level and meso level factors. These factors have ranged from changes in the UK political and economic environment, which had an impact on the funding structure of Magnolia and the way higher education is perceived in general. In addition to that, Magnolia was internally ready for a change in the way it operates, which was also facilitated by the arrival of a new Vice Chancellor. The next section will be devoted to understanding what sort of changes are taking place and how the strategic direction of the university is perceived by the various stakeholders within the university.

4.2.3. The outcome of external structures on Magnolia

As it can be seen from the previous sections, there were several changes in the English Higher Education environment. Building an understanding on how these changes have shaped the current English Higher Education sector is vital for this

study, as it provides a contextual insight on the rationales for the change in Magnolia, who is involved and how budgets are used in the change process creating rounds of structuration. First, it was noticed from several comments that the uncertainty brought with the changes has contributed to what can be called an 'identity crisis' of the sector. One head of school explains:

"what are we going to do? How will we respond? What will this university do? What will other...? ... What do you want to do? Do you want to stay the size you are? Do you want to improve your rankings and go up grades? Do you want to improve, increase your income to provide a stronger base for your institution? All of these things suddenly are available that weren't there before so it's an intense period of change but to be perfectly honest I bet if I was sitting at this table ten years ago I would be saying it's an intense period of change. I think we look back on it and think things were stable but not really. That's all. I think there's constant change and what we've got to do is to be able to adapt and sort of mould ourselves to that without losing sight of what we are." (HoS4)

This quote in particular highlights that the head of school is aware of the continuous change that universities are going through and that this "intense" change period may just be a perception of the moment but could have actually been a routine happening in the sector for years.

Magnolia has been certainly trying to adapt and the new strategic changes are a step towards "*catching up with competition*" as one head of school suggests and in way fighting for its position in the Higher Education market:

"We feel that we want to catch up with the rest of the competitors in this education sector, we have to make change. Then of course there are the economic drives, save money, make it financially healthier, so that is a kind of motivation...So this is a combination of several things... We know that, if you

don't change, if you don't adapt to the new things then you are going to be out.”
(HoS1)

Change is welcomed by another Head of school, who argues that the university was “*lagging behind*” and needed to “*be more professional*” and catch up with competition. However, the Head of school has also highlighted that the university need to be professional while preserving its core activity:

“...I've been in this role for four years and over that four year period I've seen a big step change in terms of how we're run and that of course comes with leadership changes in senior management... we were stuck somewhere like 20 years ago compared to many of our competitors ... and think no it's not quite the same anymore...I used to find myself when speaking with other heads of school as kind of a lone voice bemoaning the fact that we weren't very professional, we weren't very business-like and I don't hear that anymore... I think we see the need to be professional, we see the need to be business-like but we also see the need to retain our core endeavour... You know we're not a factory...” (HoS4)

This quote summarises the readiness for change that was discussed earlier and what it should be like for the university to change. The head of school shows frustration as to how their voice was singular in the past and how now it is mainstream as there has been an increased buy-in in the idea of running the university in a “business-like” manner whilst preserving its core purpose of delivering high quality education research and enterprise.

Magnolia, like the majority of English universities, was created with a Charitable status and is considered a public university – centrally funded by the government traditionally. The university is still under the charitable status, which means it is not making a profit and there are no shareholders; however, the way the university is run since the major

changes in the Higher education environment has changed. This was noted through the comments of most interviewees:

“...I almost entirely don’t think about that at all [Charitable Status]. So in particular I have no idea what the charitable aims are of the university and I also have no idea where to find those. And I haven’t seen any mention of those in any discussion around formulating the vision and strategy for the university through to 2026.” (HoS2)

It is interesting to see that a head of school does not seem to be aware of the university’s charitable status and charitable goals and reflects on how these are not mentioned in any of the strategic discussions taking place at Magnolia, rather they seem to be fully immersed the “business-like” running of the university.

Management accountants have all echoed the words of each other – although interviewed at different times – focusing on the Magnolia prioritising its resources where there is a growth opportunity:

“... We’re looking at investing money in the right place, to keep growing and to make sure that our resources are tuned to what students want and that we’re not investing in areas where the students are not interested... And like you’ve seen, we’ve opened up in “X Country”. All of those were sort of conscious decisions. I don’t know if a charity would sit and would do that... we’re becoming very tax aware of our operations and I think HEFCE also kind of pushed us into that. They said, “... We’re not giving you this funding, but you’re allowed to charge more. So you’re out on your own now and you’re sort of fighting in the real world now... and you’re not getting any supplementary funding.” ... I think the visual of where we’re going and using consultants and relooking at our business. So I think we’re moving more towards a corporate type of environment. (MA2)

It is clear that the management accountants' stance is more assertive when it comes to how the university is run. They see it as a business and their role is to make sure it running within its means. It is also interesting to see that the management accountants perceive the change driven by the change in the funding structure that HEFCE has introduced making universities more financially independent. The change in the funding structure has had one of the biggest impacts on universities and at Magnolia, it is becoming increasingly obvious that becoming financially self-sustaining is the way to go as one Senior Manager explains:

"It is moving, undoubtedly, more towards corporate identity. I think that's inevitable, given the commercialisation of the higher education sector. You know, never before has a university had to run so much as self-sustaining, financially self-sustaining organisation. I mean it comes back to the financial bit." (SM4)

The university's operations have changed and the discussions about budgeting and money matters have become increasingly visible as many interviewees have explained:

"... I've been here about eight years, and it's very interesting the difference now, from when I joined. If you discussed budgets and timelines and actions and measurement, it was like you were talking a different language. Whereas now, that's kind of the standard. For most... I think most of kind of professional administrative staff, it's definitely more business-like." (SM6)

Another Senior Manager has also highlighted the pressure felt by the university's budget:

"So overall the pressures on university budgets have become more and severe which means we've got to be more shrewd, more agile in how we use them and

ensure that we use our budgets in the most efficient manner, cutting out all potential areas of waste.” (SM1)

One Senior Manager describes the change as an evolution as he argues that the changes in the HE environment was gradual, although, it was not until 2012 that it kicked off the major changes:

“I’d describe it as evolution in that universities have always had to manage their finances in a business-like way. But that much more obvious and overt competition between universities, diversification we’ve talked about, cutting costs, that feels as if that’s been a much more recent phenomenon but I can’t say oh on the 31st of August 2005 it changed. You can’t be as specific as that. But you can certainly see a trend I think from the latter part of the 20th century, early part of the 21st century, then it accelerated and then 2012 accelerating further.” (SM2)

It is, therefore, evident that for both those that have been at the university for long and relatively short periods of time have noticed the increase in the change pattern over the year 2012 onwards making it an ideal case to study structuration.

As a consequence of the lift of student numbers cap and a shift from a government funding into a student funded education, the university is faced with an increasing amount of competition with both national and international Higher Education providers. Most of the interviewees have mentioned the increased competition in the sector as a factor for the strategic changes at Magnolia. As one Senior Manager puts it:

“...dramatic changes in the economy through the country, the demands on young people and hence students themselves are much more demanding regarding the quality of education they receive and the sort of experiences they receive. So ‘Magnolia’ has had to compete even harder than it used to, to recruit its home and EU undergraduate students.” (SM1)

The competition is not only national or regional, it is becoming global. English universities are part of the global market of Higher Education providers. Therefore, changes in the performance of universities in other parts of the globe will affect the competitiveness of English universities and Magnolia in particular as another Senior Manager explains:

“Look at it in the global context of the rising university economies, parts of the world where you have seen almost from nothing major international universities emerge and that’s having a huge effect. So I think it’s a combination of the domestic effects and the international effects that really do make me think this feels like shock therapy.” (SM2)

Another Senior Manager emphasises on the increased competition in the global market and how it affects Magnolia:

“Now at the same time there’s been growth in the quality and the number of higher education institutions throughout the world especially in China, South East Asia, Latin America and hence students have just a dramatically increased range of options to where to go to study and the type of degrees... So that puts further pressure on the competitive environment in which ‘Magnolia’ has to operate. So for the university as a whole it means it’s got to use its own resources in I think quite a different way than it has previously to be able to recruit the overseas students and home students.” (SM1)

Having said that, it seems that now more than ever before Magnolia needs to be a strong competitor in the sector both nationally and internationally as this is linked to its financial sustainability. One Head of school links competitiveness to income by stating:

“On the teaching side, which is the other third of our income, so we need to compete as strongly as possible in the undergraduate market which is kind of the largest part of it, and part of that is being as competitive as we can in terms of our marketing and part of it is being as competitive as we can in terms of the

courses we're offering and thinking about new courses we should be putting forward. And then we need to be competing strongly in the overseas market and being proactive in terms of initiatives" (HoS2)

A Senior Manager looks at being competitive is not only a matter of the near future but also the possibility to be ahead of other Higher Education providers in terms of courses to deliver, identifying and catering for the job market's needs. The senior Manager explains that:

"Education in particular I think is a variable; we know it is a very rapidly changing environment... there's a very high percentage of jobs in 10 years' time that will be available that we don't even know what they are yet so we don't have the courses in place so we're gonna have to ensure that we are thinking about developing those types of innovative new courses to provide those employers who we don't yet know who they are and what the jobs are with the graduates." (SM3)

4.2.4. The quest for financial sustainability

Sustainability has been mentioned in the university's new vision as well as directly and indirectly through all of the interviews. In fact, the main purpose from the strategic change is to achieve sustainability for the university. Sustainability can be approached from different angles; however, the most two dominant aspects of it coming out of the interviews are financial and environmental. The responses varied and the way sustainability is perceived depends on the role of the interviewee at the university.

Nevertheless, universities in England are regulated by the Higher Education Funding Council for England (HEFCE) which means the way sustainability is perceived in English universities is influenced by the de guidelines of their funding body. According

to HEFCE's Financial Memorandum since 2010, sustainability of Higher Education Institutions means their financial viability and ability to generate surpluses:

"Institutions should have a financial strategy that reflects their overall strategic plan, sets appropriate targets and performance indicators, and shows how resources are to be used. To remain sustainable and financially viable they should also assess, take and manage risks in a balanced way that does not overly constrain freedom of action in the future." (HEFCE, 2010, p.9)

Sustainability has taken an important place in Magnolia's new Vision and Strategic plan. Magnolia's Vision is to create:

"A vibrant, thriving, sustainable, global and broad-based institution, responsive to, stimulated by and informing changes in the world around us."

Sustainability has also been defined from an economic perspective by all interviewees. They mostly refer to it as financial sustainability. One head of school has highlighted the uniqueness of sustainability at Magnolia arguing that:

"I would start with the fact that this is a unique university, it is quite a remarkable one in terms of its materiality... it's in a strong place that seems to me and it's also land-rich which gives it a sustainability at both levels, one being that one of the few things which is not susceptible to the banking crisis is land. So it has the physical sustainability which is quite special I think. As one of my colleagues said the other day if we go to Barclays and say can we have a 50 million loan they would say do you want it tomorrow or next week because we have the land bank." (HoS3)

A senior manager highlighted the supremacy of the financial aspect of the university's sustainability and the fact that this should be done through student fees and research grants as he argues:

“I mean the university has got to be financially sustainable to do anything of course, that’s one of the key aims. There’s no point having vast amounts of investments or vast amounts of cash sitting in the bank if one isn’t attracting students or attracting research grants.” (SM1)

The supremacy of the financial side of sustainability in the quest for a durable university, has also been stressed by a head of school who stated:

“I think we’re a little precious at the moment because in the end it’s only about financial sustainability. Without that you can’t do anything else. You can’t make things greener because you’re in debt. So what comes first? No question – you have to have a sustainable growth model, by that I mean financially and if you like competitively” (HoS3)

One head of school has also referred to sustainability from a financial perspective and explains how important it is to maintain the school and university financially sustainable and how they are trying to achieve that in their school. In the head of school’s own words:

“I mean I think what we’re trying to do within our school is to perform as strongly as possible... and I guess I’m thinking of sustainability here is a significant part meaning financially sustainable really I think and so we’ve been working hard to do as strongly as possible in the external research assessment, research excellence framework assessment so both in terms of numbers of people that we put in but also in terms of quality and part of that is sustaining the approximately third of our income which comes in through that route and I’m hoping that we’ll increase that a little bit but of course it depends on what is being done elsewhere by competitors and the other thing to sustain so we bring in about % of the university research grants into this school so it’s very important for the university and very important for us that we continue to sustain that and so that’s competing as strongly as possible and being as influential as possible with our main research funder ... but it’s also working hard to diversify our funding which means diversifying to EU funding streams, to funding streams

which are more enterprise orientated ... through funding from other national and international organisations... and some funding directly from industrial contracts...” (HoS2)

Another economic aspect of how sustainability is perceived at Magnolia is through growth and responsiveness to change; in this context a senior manager argues that sustainability is:

“... the ability to maintain your business and grow your business as time goes forward and that means responding to change in a positive way.” (SM3)

The senior manager carries on by explaining how maintaining growth and the financial sustainability of the university requires making difficult decisions:

“In some cases making some very difficult decisions and sometimes decisions that you might not think are necessarily the right ones to be making ‘cause they’re quite big but you make them because you’re making it for the long term success of your business and in other words it will still be here in 10, 25 years’ time. Whereas if you become very closed and narrow in terms of your delivery and don’t change, it isn’t gonna be sustainable, it isn’t gonna be successful going forwards.” (SM3)

Financial sustainability has been argued to be constantly on the minds of managers and budget holders. One senior manager explains how a university’s financial sustainability is a unique case:

“...How do we think about financial sustainability, well all the time is the answer, because if you think about it, what is it that makes universities different to other businesses. The answer is one is it is long term and the second one is it is a one product activity. You know, what will universities be doing in 20 years’ time, well educating intelligent, bright, motivated people, because that is all we can do. If we start opening supermarkets then, you know. Recognising that that is what we will be doing in 20 years’ time...” (SM9)

In a similar line of thoughts, another senior manager emphasises how sustainability at the university goes hand in hand with keeping control of its finances:

“For me sustainability is about being able to manage the business – in our case the university – for the long term so that we’re able to continue to achieve our aims, principally of course to do teaching and research. Now it’s not very sophisticated to say you generate a sustainable business by keeping your costs under control and seeking to grow into new areas of business if you can and I think that’s a pretty good description of where we are at the moment.” (SM2)

Although, the new strategy document mentions how it is important to provide 21st century education, contribute to the community and sustain societies, most of the interviewees have overlooked the social side when defining and discussing sustainability. One Senior Manager has even questioned the reasons why a university may choose to be socially sustainable:

“So social sustainability, depending on how you count that - you know the amount of money that the university is putting into diversity and scholarships and all the rest of it - is some indication of that. Again, you might turn around and say cynically they can’t not do it. That is the nature of the world, which is absolutely true. But it is a little bit like asking a FTSE 100 company how much do you care about the earth and the answer is they absolutely don’t, but they will go along with it for other reasons.” (SM9)

It can be noted from the interviews and various other sources of data analysed that the economic side of sustainability is prevailing or is even considered superior to the environmental and social sides of it. This is not surprising, as the macro level environmental pressures, including those from HEFCE, have shaped the way universities operate. Ensuring English Higher Education Institutions’ sustainability is complex, but can be facilitated primarily through generating surpluses and avoiding falling into financial difficulty. For that reason, the pressure has been on the budgetary

process and how it can facilitate and deliver on the changes needed to achieve the university's financial sustainability.

4.3. Budgeting in the changing Magnolia

The previous sections have been looking at the factors that have influenced and contributed to change at Magnolia as well as the new direction Magnolia is focusing on, which is to be sustainable – primarily financially sustainable. This section is looking at how financial sustainability is sought at Magnolia in the light of the strategic changes and how budgeting is affected and perceived within the university. Budgeting is used to facilitate the change through in different ways including using it by the senior managers as a control mechanism and as a tool to hold the budget holders – in this case the heads of school – to account. It is also seen to be a tool that communicates about how these schools and the university are managed.

4.3.1. Budgeting as a control mechanism

This sub-theme is devoted to the identification and understanding of the power relationships and the divergence in views regarding how the budgeting process is used. There are two categories that have been identified: on one hand there are those who see the budgetary process as well adapted to the situation and serves the purpose; on the other hand, there are those who oppose the way decisions around and about the budgets are taken and the way the budgetary process is currently operating. From the data gathered, this was the theme that had attracted discussion most and generated many and lengthy responses.

Budgeting is considered by all interviewees as a control mechanism. The consensus on the view that budgeting is used to control resources is echoed by all three different groups of interviewees. However, the difference is in whether they agree on it being used as such or not. It was noticed that the senior managers and the management accountants do appreciate the fact that budgeting is meant to be about controlling resources, whereas the heads of schools see it as being now more than ever before been used as a control of their own authority and as a constraining their autonomy. Having said that, it was noticed that one particular head of school (HoS1) has been diplomatic in their answers initially as the discussion started on budgeting but soon started to open up after relating the budgetary process to them directly and how they have been affected by the change. They did seem to echo the ideas of senior managers and management accountants initially as it can be seen from the quote below:

“I think certainly the budget is a mechanism, is a tool for the university to influence and govern the whole university through influencing and governing each school. So the budget is very useful. It is a centre and if we were to reflect business decisions, priorities and then like a critical issue, school business operations, so I think that the university is using that and then the budget has that kind of function.” (HoS1)

However, another head of school has very clearly explained the budgetary process at Magnolia and how it is a mechanism for control and resource allocation. He says:

“...a feudal enterprise I’m telling you [Budgetary process], but essentially it’s a tax system that works income from students and activity generated by the school. It’s collected by the Centre. It’s then formulated and distributed back to the schools, that’s called the vote. So no-one understands it but anyway. That means that each year you get this chunk. You’re also taxed for all the central services; IT services, the library, student services, and all those things,

the grounds, the gardens, the whatever. So that's a tax system, central tax. Then there are some monies which are kind of yours, okay? And if they're yours then there's still a tax but it's much less. So all schools are living in a place between a kind of big brotherish financial model and a what monies can you make. So if we run a big X programme for people from X country and it's worth £500,000, we are more likely to get 400 than 250 from it. So there is a driver to generate income which is more your own. Fundamentally those 2 things are complimentary, they're not contradictory. But it does mean that what is the key resource, which is staffing, it's still highly controlled centrally by the university, even if I'm going to spend technically what is our money I have to get permission to do so on said individual, whether it's a Professor, or a Lecturer, or a Technician or whatever and so it's not like a business in that sense. It isn't. It still is a kind of bureaucracy of control in that way.” (HoS3)

From a non-academic senior manager's perspective who is not part of the executive team rather head of a professional service, there is always a need to convince the centre about investing money in environmentally friendly investments in the facilities around the campuses and that saving money is at the top of the agenda when it comes to making a decision on whether to invest or not:

“Well, I always have to persuade somebody to write me a cheque for everything I want to do. So, if I can present them with a win-win situation, it makes their life easier, it makes my life easier... I can't always. Sometimes I just have to say, “I think this is the right thing to do and from the environmental point of view, that's what we're gonna do... and I can't usually say, “Because it will save us money in running costs.” It doesn't necessarily always lead to that. It leads to a greener solution overall.” (SM4)

As part of increasing the level of control aspect of budgeting at Magnolia, the budgetary process has been centralised as part of the change.

4.3.1.1. Centralisation of the budgeting process

Having a new strategy in place at Magnolia, has financial implications and the centralisation of the budgetary process is one of the facilitators to its implementation. One senior manager highlights how the implementation of this new strategy implies a greater level of centralisation when it comes to the allocation of resources within the university:

“If you have a strategy which you say is going to influence the way that you behave that means there are resource implications. It is trivial, therefore, if you say that we are an all embracing European institution. By implication modern languages has to be an important part of the institution and therefore you have to increase the number of people in modern languages. In the short term if you are increasing modern languages somebody suffers at the other side because people are doing things that don’t matter. So there is a rebalancing and in a sense if that rebalancing wasn’t happening then the strategy is pointless, because the strategy changes behaviour and you know that has implications for that.” (SM5)

The centralisation of the budgeting process gives way to a top down approach where the senior management within the university have the last say in the reallocation of funding. As one senior manager puts it:

“So in research for instance – and I’ll be overseeing some of the research budget soon – we’ll be using the university research funds to support those areas that fit into the themes of the university. There’ll be other areas of research and activity in the university that don’t fit to those themes that we want to continue promote, but it’ll be less likely that they’ll receive university funding than the ones that fall into the themes.” (SM1)

However, excessive control reduces freedom of Heads of school, which is not seen to be the answer as one Head of school explains:

“Magnolia in some ways is too diverse but within our diversity we have some absolutely outstandingly talented individuals and you need to give them the freedom to make that work and encourage them. Too much control prevents that. I was left with complete freedom. [four years before the change] I felt I had no line management, I certainly didn’t get it from PVC’s beyond we need to get some more research money in or whatever... That’s it, that was my guidance and so you’re left to solve it yourself and if you have a clear vision for how you can do that and what needs to be done and you’re allowed to get on with it you can turn these things around” (HoS4)

4.3.1.2. Keeping the university balanced

The university’s centralisation process is primarily focused on performance and ways of becoming more efficient and effective. The senior management team are increasingly looking at ways of improving the performance of schools and departments in terms of both teaching and research measured through student numbers and research grants received which ultimately translate into income. A senior manager explains how the schools have a say in the decisions related to their schools to a certain extent, however as he puts it in the following statement, the centre may now have the last say in regard to resource allocation and validating budgets:

“... you’ve got the university central, if I can put it that way, sort of calibrating those judgements being made at the school level and then as it were mediating where there’s a choice to be made between the resource allocation here or resource allocation there... most academic departments in this university do combine teaching and research... getting that balance right... the National Student Survey’s actually quite a good example, I didn’t think we were paying enough attention to that so give it a strong signal in the resource planning process to say we are gonna come, we are gonna really interrogate you. Or we might look at another academic school and say your grant success rate has been shocking; we want to talk about that with you.” (SM2)

Having the ability to oversee the budgetary decision and resource allocation from the centre is considered an important task of the senior management team to ensure that the university as whole is functioning well and disparities are reduced. One senior manager explains how centralisation of budgeting allows the maintain of diversity and balance of subjects delivered by the university:

“I was talking about the impact of the fees, student fees, so I said that it doesn’t have a direct effect on us because we have lots of students. There is an indirect effect which is coming through now which of course is if students see themselves as paying, they are going to gravitate towards vocational subjects. So accounting for example has grown very quickly. So other problems the university will face is if that is happening then resource starts flowing to the Business School and that needs to be recovered somehow to keep the rest of the university growing, because I think even the Vice Chancellor isn’t thinking of closing the rest of the university to support a single Business School.” (SM5)

Another senior manager insists on the contribution of centralisation to the maintain of a balanced university, where funding is provided not only to the highest performing schools but also to support the ones that perform less than others financially:

“It’s very tempting to say you should devolve everything down to the academic school. Who could argue with that? So the Head of the academic school has all the resource allocation decision and it’s good... Except what happens when something goes wrong elsewhere in the university and then you essentially have to take the resource off the so-called successful schools.” (SM2)

The centralisation of the resource allocation according to another senior manager is translated in difficult decisions to be made in the quest of an effective financial management:

“... we had to make some hard decisions about which areas of activity we support and which we don’t and that’ll be manifest as to how we use our budget effectively.” (SM1)

In addition to that, it is argued that by centralising the budgeting process, the centre in keeping the university balanced. One Senior Manager explains that is possible by not giving total control over the finance to the heads of schools:

“Now if you go to devolve budget then the danger is it just becomes a façade; people think oh it’s great until they take the money off me and that just feels dishonest to do that and I’d rather be very honest about the resource allocation and say to the school Heads you’ve got some control over this but you do not have absolute control over it.” (SM2)

The centralisation of the budgeting process has been especially felt by those budget holders whose powers have been reduced as seen in the next section.

4.3.1.3. A reduced level of autonomy

One major implication of the centralisation of the budgetary process, is a reduced level of autonomy among heads of schools. One head of school comments on the centralisation of certain services in the quest for efficiency and effectiveness. He gives an example of how centralisation of admissions may do just the opposite of that:

“... Change of admission into centralised manner, for example it is OK, I work on that. But then sometimes it is slower because the centralised admission mechanism would not be so clear about different cases and sometimes we have to look at a particular application and then chase the student... At the school level the support is there... so a quicker response. But I recognise that, that means distribution of the resource and then probably duplications, but you can say, ah, duplication of the resources in different schools and therefore we

concentrate everything to the centre then you lose the quality of service. Also the response will be longer.” (HoS1)

The centralisation of the IT function is a source of concern for another head of school especially about both the effectiveness of the process and the financial implications from such a move. The head of school explains how this may potentially affect his school's autonomy and income:

“So we have various concerns about the IT service and kind of more generally about the larger process... so one is a concern of loss of local control and kind of fast responsiveness and be unable to control things and dictate in a fast way priorities and another is that is a dumbing down concern because we are a successful school financially and so the university gives all the schools money for support staff and in a lot of schools that's all the money they spend on support staff, but we get about £££K a year and then we spend about £M on support staff because we have a lot of other income coming in and we consider that we need these additional support staff to enable us to do what we do most efficiently. And so there's a sort of dumbing down concern that we might have this money pulled off us and then have that kind of smeared across the rest of the university and then we kind of might end up subsidising what happens elsewhere. So that's something that we have to sort of keep an eye on.” (HoS2)

In a similar line of thought, it seems that staffing is one of the most affected areas by the centralisation of the budgetary process. Time and time again, heads of school have mentioned that decisions about recruiting new members of staff or even keeping their existing support staff has to be justified very hardly. As expressed by the head of school:

“I have to justify. If I want to have a new member of staff, I have to justify. I have to justify very hard to the Dean.” (HoS1)

As a result of the increased level of centralisation and decreased level of autonomy, tension between different groups at the university emerged; as one head of school explains:

“I think the university is currently in some really quite profound creative tension. On one hand it is centralising quite strongly so there’s a current set of work streams like effectiveness and efficiency, a fairly kind of hard-nosed neo-liberal thing which is meant to drive down costs, centralise procurement, etc. and that’s in quite, it seems to me, a profound intention with the idea that the people in the various aspects of the university which are outward facing, the different schools, needs some flexibility, autonomy. Not independence at the level of being separate but actually to get on with things that they think will work...”
(HoS3)

One head of school has highlighted an important aspect about budgeting; it is a double edged sword. He explains how budgets allow the school to be in control of its spending by regularly reviewing that, however, he finds the centralisation of the budgetary process restrictive when extra spending is needed for staffing purposes:

“We have a review, a very frequent, and regular review... so we know how we are doing, how we are spending and how we are earning. That is how we do it. The school has control over spending. The only thing is that every time you want to have a new staff member, that is a big thing and then we have to be very careful. I have to give my full justification to the Faculty.” (HoS1)

Another head of school illustrates how the centralisation of certain functions within the university are affecting their budget adversely. This reduction in the budget allocated to the school makes it difficult for the head of school to make decisions on where to prioritise the funds available and how to allocate them across the different activities of the school which will affect negatively one area or another:

“Thinking of financial perspective and its efficiency and effectiveness, kind of one potential impact or one expected impact is that my budget is hugely reduced... and that money be moved into the centre and in one sense you could think of that as being less to worry about, but of course it then gives me hugely less local control and so at the moment for example I’m making decisions about do I spend on support staff or do I spend on academic staff or permanent research staff...” (HoS2)

An increased level of autonomy for heads of school is seen to be needed now more than ever before as one head of school considers the current system not to be working anymore and provides an example where he illustrates that:

“Well if I give an example that I was asking for a whole year the question what is a PhD student worth, I still don’t have an answer to that. The answer I’ve had from 2 senior people off the record is, nothing; we lose money on them. So an international student in social sciences that just occupies a room, the income is 12,000 a year and you’re telling me that we don’t make money out of that? So no I don’t think it’s working. I think the vote system is absolutely feudal and out of date. I think probably – this would make the university nervous – but a much more devolved model would be much more effective. People look after their own money very, very carefully. It could still be taxed, still pay for the library but the more you give people a decent level of autonomy with policy control, auditing, the more you’re likely to get efficiency. Not the other way around. That’s my view.” (HoS3)

The decreased level of autonomy as a result of the new strategy is a concern of another head of school who states:

“So at the moment I have quite a lot of flexibility about where we prioritise things and I can choose one year to spend more on support staff and less on ... and so there’s a kind of potential big impact on me in terms of the control and flexibility I have.” (HoS2)

One head of school explains how providing the right level of autonomy to people is the right way for a more effective and efficient university:

“So I kind of, I guess I’m really optimistic about staff being, groups being given a degree of autonomy but also being given honest messages which is you know you need to sort yourselves out, if you don’t sort yourself out we will do it for you and you won’t like it and usually the response there I think is that people will try it and I think if anything is going to help make ‘Magnolia’ more effective and efficient it’s encouraging that style of leadership, that sort of style of person in charge.” (HoS4)

4.3.1.4. Budgeting is participative

Although the budgetary process is centralised, it does not necessarily mean that it is not participative as one senior manager argues. From the senior manager’s perspective, the process of setting the budget – at the university level – is participative as it is agreed between the senior management and the heads of schools. The senior manager explains:

“I think it is not something that’s just driven from the Centre in my experience that says this is the amount of money you’re getting; get on with it. I mean that is the ultimate answer; this is how much you’re getting and get on with it, but you certainly as a Head of School or as a Dean or as someone who has an involvement with running that budget, you will have had an opportunity to influence the outcome.” (SM3)

At the school level, a head of school also perceives the budgetary process – from within the school – to be participative as he explains:

“...Every spring, around March, we ask each programme to put in their staffing requests for next year. They are costed by them and relate to last year and then they come to a meeting and we sit around and look at them and we talk

about it. It's about wishful communicative transparency and then they go away. And when we've done all those meetings to everybody, we feedback to everyone and say yeah that's perfectly fair and reasonable but what about this. Or, actually I think you've under ... what about that." (HoS3)

A senior manager also explains the process in place and how it demonstrates that it is participative even from the centre:

"We as a university have introduced recently an annual process whereby we meet with every school to talk about their current teaching and learning provision and their ambitions for the future and we also set target numbers for each programme, each school. And that's undergraduate, postgraduate taught, PGR, overseas and home EU numbers. When we set those, we agree those as best we can with the school 'cause they're ambitious but they are hopefully achievable and once we've agreed them we can obviously do some calculations with respect to financial forecasting..." (SM3)

The resource allocation process, as explained by a Management Accountant, is partly participative as it involves discussions with Heads of school, however, the ultimate decision is made by the senior management:

"... discussions are then had about what they can spend, depending on the strategic direction of the university, so... Lots of things are weighed up, you know, how many student numbers they've got, what their brief looks like. So there's quite a lot in there and obviously not everyone could have the money. So they're sort of ranked against each other, as in what's the most deserving case. So it's a bit of both really and the schools, with their accountants, come with suggestions, but ultimately, it's senior management that decide what they can and can't do." (MA2)

Regarding the changes that happened at the university, notably the centralisation of the support services, has initially not been participative which created discontent among heads of school. As one head of school explains:

“we felt initially that we weren’t remotely involved enough... there was this initial gathering stage and then very quickly a report went to the university executive board ‘UEB’ saying look this is what we think we should do, we should bring everybody together and then that went to UEB, was approved by UEB and so they next came back saying right we’ve gathered this information, this is what we’re gonna do and so that went down very badly because for example this report which had gone to UEB made no mention of any research IT interface and for us that’s an absolutely crucial interface” (HoS2)

The head of school, however, expressed his optimism on a more collaborative and participative change process, especially on the area of efficiency and effectiveness where the changes have been creating tension the most. In the head of school’s own words:

“So with the other strand I think the Heads of school and certainly myself in particular, we have kind of pushed back... we felt that there wasn’t enough consultation and so consultation with Heads of school has been built in much more strongly and not just with Heads of schools but with schools generally...So one big stream is this X stream so my understanding... the proposals are gonna come out to consultation with us probably early in the autumn but in preparation for that they’ve been doing a lot of workshops and for each of those workshops focussing on particular strands of kind of what our support staff do. I mean we’ve had representation from relevant people in the school at all of those and so I think we kind of feel that...we have kind of substantial opportunities to shape things at the moment, or at least it’s looking like we’re going to, but it remains to see what happens I guess.” (HoS2)

Another head of school stresses that budgeting should be a participative process rather than what it is now. In their own words:

“So fundamentally the purpose of budgeting is to make an organisation sound healthy and effective and people feel it’s been fairly distributed and they can see transparently that it’s been fairly distributed... we were in debt 2 years ago,

we will all drive at that together and then you have what is essentially a consensual model of budget distribution rather than a Stalinistic kind of model of that's it, that's what you get. So that's a bit simplistic but it's kind of fundamental to what I believe about budgeting.” (HoS3)

4.3.1.5. Lack of accountability from the centre

The centralisation of the budgetary process has reduced the level of autonomy of heads of school on decisions around the budget as expressed by all heads of schools interviewed, however, what kept coming up in their responses is also a discontent about the lack of clarity of the resource allocation from the centre. At Magnolia the allocation measure is called “the vote”, which one head of school among others thinks is not working:

“Well I’ll sum it up. I think it’s probably a fairly weak frustrating model at the sharp end here. It is not transparent. I don’t know how the vote is calculated. If when I ask a question like the university says we must have more...students as an indicator for esteem I say fine, but say actually I’ve got to staff it so what was the resource that comes and they can’t answer that question. Then I think we still own a weak untransparent opaque scenario. So it’s lots of room for improvement in my view in central budgeting. I think all schools would collaborate with that ‘cause they want it to be clearer, they want to understand more what the relationship is between the 2 things. And I hope the university moves towards a more transparent system.” (HoS3)

The lack of transparency in the allocation of resources has been highlighted by another head of school who also argues that the vote system is outdated; In his own words:

“...There’s a part of the resource we get which is to do with support staff and that is kind of completely historical... I discovered recently in the last couple of months I get less support staff vote than XYZ school. So I think probably in

terms of kind of staff numbers that I'm probably three times bigger than XYZ school so why am I getting less support staff over XYZ school?" (HoS2)

Another Head of school also explains how ambiguous the vote system is:

"So the university's vote system... to me is not transparent. I have no idea how the vote is calculated. Well I know it's if you have more students and more you know but I don't know what the algorithm is and that's not shared... because then if I knew how it was, you could gain the system to sort of to your own benefit... What's interesting is if you actually looked at the size of our vote over the years you'd see it actually hadn't changed very much or if anything slightly declined in spite of greatly increased numbers of students. I'm not quite sure why it works that way... (HoS4)

The lack of transparency in the resource allocation process within the university is highly visible through the comments of all heads of school. Despite the fact that the schools raise the money for the centre through various sources – predominantly through student fees and research grants – they do not get to know how that money is redistributed across the university which as mentioned above creates tension.

4.3.2. Budgeting as an accountability tool and performance measurement

The budgetary process plays an important role in legitimising decisions within the university. The budget is used as a tool to demonstrate and legitimise spending in all areas of the university. Budgets as it can be seen from the various comments below, are used by the senior management to measure the performance of the schools and budget holders. The senior management of the university request detailed information through the budgets on where the money is spent and how much of it is spent where:

“... we like to see resources being managed effectively... if schools are in deficit they're overspending their resource we'll have serious questions about the management in their school and maybe just go and look at how they manage their resources, their funding, it's the quality of management in there so when I was Dean... in the X faculty I had some schools are overspending substantially and we had to change the practice in those. Schools that generate a surplus at the end of the year they don't spend all their budget but obviously we like those schools provided that they are investing in the activities they need to do so. So we look at financial performance of schools constantly, yeah. It's a constant bit of the dialogue.” (SM1)

The budgetary process as many senior managers and head of school have mentioned is in essence a tool used by the senior managers to measure the performance of schools, departments and faculties. What often came up from the interviews, was that there is a system in place that rewards exceeding the budget and punishes overspending:

“This is all about rewards and incentives and punishments. I mean let's take the punishments... I suppose there's an ultimate sanction which is if your budget goes way out of line we can impose a kind of special measures and we can essentially take over from the centre the kind of basic decision making that should be left in the school, when I say most of those resource allocation decisions are made in the school we can actually just withdraw that power and certainly I can think of one academic school in my time where we didn't quite withdraw all of it but boy we really ... we were in there policing it because I think we'd got to that situation where it got a bit out of control. So that's quite a sanction that the academic school in a sense loses control over its own destiny and then to be frank about it then you have to make a judgement about whether the Head of the academic school's the right person to lead it if you think that the budget control hasn't been appropriate.” (SM2)

The Senior manager continues, by emphasising how budgeting can be rewarding if underspending is achieved:

“In terms of rewards now some people complain about it and say well you haven’t rewarded for doing good things and you think well wait a minute, of course you are rewarded for doing good things; you get more students, you get more research income... you can employ more staff...The truth is the departments or academic schools that are successful do have more discretion because they’ve generated more income, sometimes more overhead income. But people will always say oh yeah they don’t reward success the way they should.” (SM2)

A head of school also confirms the performance measurement aspect of budgets, by saying:

“Managing the budget? At the end of the day it is how much is surplus or how much is in deficit. Budget wise, financial wise.” (HoS1)

In addition to budgets being rewarding or punitive, one senior manager argues that when the threat – punishment – is absent then the budgets have no role. In their own words:

“Budgets only have one purpose if either there is an award for exceeding them or a threat if you don’t. And of course the big environment affects the degree of threat, which is the thing that affects the behaviour. I have to tell you that I used to run a bit of a different university where there was no threat and therefore the budget was completely pointless.” (SM5)

One head of school has warned about the focusing on the punitive aspect of budgeting and called for it to be made more supportive:

“It’s very, very easy to make it negative and punitive and much harder to make it positive and supportive but if you don’t make it mostly positive and supportive then you only get the other side.” (HoS3)

On the other side, the budget is considered to represent an incentive for a better performance as two Senior Managers argues:

“... if budget is to inform and to help decision making and to point the way and to act as a control, act as an incentive, the better you understand it the better it is.” (SM2)

“... to an extent the money follows the students so again, and this is a change which you can see, schools have an incentive to really think quite hard about what they deliver. You know, attractive programmes bring money and therefore bring more colleagues...” (SM5)

4.3.2.1. Monitoring through budgeting

One senior manager argues that budgeting is about actively monitoring schools and that heads of schools understand the process and abide by the norm of either meeting or exceeding the budget which makes it less of a threat. In their own words:

“So it is quite active monitoring and there is quite an active communication of that because I have the top level consolidation meetings. The real one which again is slightly different to some businesses is everybody fundamentally gets it, so you have got Heads of School who say right, OK, I understand. That is the budget that I put in, that is the budget that I either meet or exceed and have to is also want to. That is why the threat of it isn't quite there.” (SM5)

However, one head of school does not seem to agree with the way the budgetary process is currently done by explaining:

“So fundamentally the purpose of budgeting is to make an organisation sound healthy and effective and people feel it's been fairly distributed and they can see transparently that it's been fairly distributed. They can recognise if there's a collective urge; we were in debt 2 years ago, we will all drive at that together and then you have what is essentially a consensual model of budget distribution rather than a Stalinistic kind of model of that's it, that's what you get.” (HoS3)

Another perspective on the role budgeting is that it provides a template against which heads of schools and academics can self-manage their own activities. As one senior

manager explains how there is a link between the academic aspect of the university and the commercial one which is facilitated through the budget:

“Therefore there is quite a direct economic thing to hitting that budget...it is a permanent warning or a permanent reminder to people that whatever you want to do as an academic there is a commercial something behind it. I am not going to punish people who fail to meet the budgets, well I am, but there is a direct link between one and the other. It is much more self-policing as a mechanism.”
(SM5)

Although heads of schools and senior managers seem to agree on the fact that budgeting is an award and punishment mechanism and is used to monitor the performance of schools, their perspectives and views on the system are different. On one hand, the senior management consider the current system to be working and that is the way to go, and on the other hand, there are the heads of school who think the system has to change and there should be a focus on the positive and supportive aspects of budgeting, whilst the management accountants are there to echo the words of the senior management team and ensure that it is implemented in practice. This divergence in opinions creates a gap that is also creating tension as it was mentioned earlier in the chapter.

4.3.3. Budgets as a communication tool

Another sub-theme that divided the crowds is the one related to the communicative aspect of budgets. This area of budgeting had to be stimulated during the interviews by asking a direct question regarding what would the interviewees think if it was suggested that budgets are a communication tool. The majority of interviewees have acknowledged that budgets are communicative and these are mainly the senior

managers and the heads of schools. However, the management accountants have argued against this statement.

4.3.3.1. Budgets send signals

According to a Senior Manager, the budgeting process and more specifically the resource allocation process is communicative even though it may not be considered so explicitly:

“I don’t know if we do that explicitly but certainly if we’re saying to a school we are cutting down your resource for this year, they’re gonna get the message that they need to change their ways of behaviour if they’re gonna increase their vote. If we are saying to a school we’re giving you X additional thousand pounds this year ‘cause your increase in student numbers they’ll see that as a positive message and hopefully it will stimulate more behaviour in that way so by definition it’s a message, it’s a message going out, yeah.” (SM1)

One senior manager explains how he perceives budgets to be:

“Budgets give out signals and I think we all know that when we form or create budgets we are giving signals...” (SM2).

The signals sent through budgets can be classified into two. On one hand, when the centre is setting out the budget it is sending a message to the whole university – Heads of schools and Deans – about priorities and areas of interest. On the other hand, when schools and faculties are setting up their budgets and their performance, there are sending signals to the rest of the university and mainly to the centre about how there are run.

4.3.3.2. From the centre to the Schools

These signals are often given by the top management to the rest of the university through how the financial resources are allocated in the budget. According to the same Senior Manager:

“...you see the budget as communicating in a very visible way where the priorities lie and using the budget to demonstrate what those priorities are is quite an effective communications tool. Because people can look at it and say oh I look at the budget line, I look at the increase in the budget line from last year, there’s clearly a strategic decision to put more there than there was last year.” (SM2)

However, one Head of school warns about the negative messages sent through budgets and their effect on the concerned parties:

“...Sometimes controlling information is very important but you can do it tacitly by just saying well here’s your budget, you’re getting a bit less than you used to. I think saying it is a very dangerous thing to do because also if once you go down that route it stops people from wanting to change... so I think you have to encourage people.” (HoS4)

During the change process, budgets have played an important role in providing an understanding of how the university is doing. One senior manager explains:

“I mean one can say first of all is helping us to understand what is the university doing already, so the analysis of budget lines has been an incredibly important part of the heavy digging to get to the facts of what we’re actually doing as a university, so that’s really important.” (SM2)

Having said that, it means that the budgets at school and faculty levels also provide an invaluable source of information to the top management.

4.3.3.3. From the School to the top

From the various comments provided by Heads of school and faculties, it seems that there is an agreement on the fact that budgets are very important in that they provide an image on how the entity is doing. One senior manager has mentioned how budgets can provide an image about a school or a faculty to the rest of the university, particularly to the centre. As the senior manager explains:

“So if you like the budget that I supply to the university has a slightly different status to the budget that Heads of School supply to me because the bottom right hand corner of that thing is the one that determines how well both I and the faculty are perceived, which has all sorts of indirect influences through the strategy and through the capital schemes and so on.” (SM5)

The signalling of budgets has also been mentioned by a Head of school, who explains that overspending will send a message to the centre on how the school is managed:

“I never want to see a loss on our figures and I would rather have a larger underspend rather than a small overspend and that’s partly because I think it’s about the message you send to the sceptre about how you’re running places; sometimes the surpluses have been too big don’t get me wrong and I don’t like that either but I think that’s incredibly important.” (HoS4)

4.3.3.4. Budgets reflect priorities

All interviewees appear to agree that the budgets reflect the priorities of those who set them. One Head of School explains:

“The budget is a reflection of my thinking where the priorities will be and so on. You have to think about that and the budget would reflect where the priorities are, what is the thing you want to do in terms of selecting mid-term and longer

term and also probably immediate term, next year, so this is a reflection.”
(HoS1)

In fact, budgets and priorities go hand in hand, as one senior manager explains how it is important to understand one's priorities when setting the budget:

“in order to be able to budget you first of all need to be able to have an understanding of what your priorities are for the year; what would you like to achieve, what do you need to achieve and then it's how much has to be put against each of those and what you've got to spend and got to achieve that's got to be allocated for ... taken out of the allocation first of all and then what you might like to achieve you've got to see what's left in the pot and then how might you realise that.” (SM3)

Budgets are also considered to communicate by providing warnings and by being a reminder to academics, as one senior manager explains:

“... it just focusses the mind. If you like it is a permanent warning or a permanent reminder to people that whatever you want to do as an academic there is a commercial something behind it.” (SM5)

4.3.3.5. Budgets are intra-organisational communication tool

From the various comments received, it can be seen that budgets are regarded as intra-organisational communication tool whereby, heads of schools communicate to the senior management and vice versa, but also between schools, faculties and departments. One management accountant says:

“Well it's definitely a communication tool... I mean as a main communication between you and your budget holder. As a social tool... Well verbalising is social but yeah I suppose you could say it's social because if it's achieving what it needs to achieve you're going to be happier which helps promote your

wellbeing so it does socially, has a social impact. Because if it's not helping you to get to where you need to be you'll be more stressed." (MA3)

From a senior management perspective, budgets are also seen to be communicating about how the schools are doing and how they are generating income and where they spend it:

"the answer's most definitely yes. So it's obviously retrospective if you're looking back on how a particular ... actually it could be looking ahead as well because they'll be setting their budget for the year so if you look at a particular area say it's an academic school, they might want to maybe bringing more students in, so they need to invest in particular facilities or staff or whatever it might be. That story will be there [budget] because there's an increased income stream, increased outgoings so yeah I can see that." (SM3)

One Head of school also confirms that budgets are used to communicate between the school and the centre rather than to communicate within the school:

"The budget, maybe communication between school and higher up, maybe that way. But I don't use a budget to communicate between colleagues within the school." (HoS1)

However, another head of school explains how budgets can be used to communicate within the school as well:

"It allows you, and I'm not being patronising, to say to somebody you've done that really well. So unless you give them those figures/story to work with and make them feel it has a local impact and they can make changes locally that they think that if we spend money on that module, that would be better. Then you can go and say to people great you've done something for you, you've done something for us. So it is a communicative tool." (HoS3)

As it stands, budgets as artefacts, are regarded to be a communication tool between the various areas of the university, especially between the schools and the rest of the

university and vice versa. However, it was also noted that the budgetary process lacks communication as it can be seen from the next section.

4.3.3.6. Not enough communication around the budget

As mentioned in the previous section, budgets are used to communicate at various levels within the organisation. Nevertheless, the process of budgeting is not seen as communicative enough. One Head of school suggests that there should be an open discussion about budgets rather than just have them in spreadsheets. In the head of school's own words:

“So yeah I do think it’s a communicative tool and it needs to be talked about openly in meetings, at staff days and not like oh you’re overspending but we need to better with X, so I think absolutely it speaks to people if it’s put into a language that communicates to them. And that is not a spreadsheet.” (HoS3)

Although the question asked was whether budgeting can be considered as a communication tool, the majority of interviewees looked puzzled by the question initially, in particular the management accountants. All heads of schools with the exception of one have looked at the process not being communicative rather than the budget as a document itself. On the other hand senior managers do consider the communicative aspect of the budget as an artefact.

On a similar note, another head of school does not consider that there is a communication around the budgets.

“I don’t think that communication is completely easy because of course part of the aspect there is that our budget is only ... well what we’re spending is only a small part of the picture.” (HoS2)

The head of school continues by explaining how communication in the sense of involving members of staff in discussions about how money is spent within the school and which areas could be more beneficial than others, makes people feel involved:

“But certainly there is feedback and then discussion or input from staff as to what they think the priorities for spend should be and that’s helpful in terms of helping people feel involved and lots of feeding ideas in, in terms of what we might do... And that’s been nice because people have been involved in discussion about it, have kind of understood the issues more and feel that we’ve come to a sensible decision and that people have been consulted.” (HoS2)

From a similar angle, budgets are not considered to be the sole way of communication, rather, they are considered to be a point of reference. One Senior Manager explains:

“I believe I would be failing in my job... if I relied on the budgets to give me the information. I rely on the budgets, not only to confirm in the band sets, but to work with the other things that I am observing. So if somebody says to me we are going to quadruple our numbers, I am going to look at the numbers and see there is no evidence of that and actually there is no planning for it because the salary bill hasn’t changed. That gives a point of reference to it. Being a sense of primacy of that and I just don’t see it within this organisation that the budgets are being the primary focus.” (SM5)

4.4. Summary

This chapter has presented the findings related to this research project which were apportioned into three main areas. First, an understanding of the factors that have contributed to the strategic changes at Magnolia was provided. It was found that the strategic change was a result of changes in the English Higher education sector brought as a consequence of the Browne report and Spending Review as well as the

abolishment of the cap on student numbers. In addition to these external factors there was a general feeling of readiness to change and the arrival of a new Vice Chancellor.

These strategic changes were aiming at making Magnolia a sustainable institution. The use of sustainability in the vision and new strategic plan has intrigued the researcher to dig further and try to understand what is meant by it. After the consultation of various sources of data, it became clear that one of the primary features of a sustainable Magnolia was financial stability and durability.

In the quest of a more sustainable Magnolia – turning a deficit into a surplus through savings – the top management have opted for a restructuration of the university, a centralisation of support services and more importantly of the budgetary process. The implementation of change through the budgetary process has been all but smooth as many budget holders have expressed discontent on the reduced level of autonomy, the punitive aspect of budgets and lack of communication around budgets.

It was noted that budgets are multifaceted and play many roles within the university: control mechanism, performance measurement and a communication tool. There also two main budgetary levels; On one hand, there is the university wide budgetary system where the decisions are made on the resource allocation to faculties and schools. On the other hand, there is the school level budgeting where the resources received from the centre get allocated to areas within the school (teaching, research, etc.). The change on the budgetary process at the university has affected directly the level of which budget holders – heads of school and Deans – can have a say on decisions related to the income they generate and how it can be spent. Rather, the top management has centralised many of the decisions on the use of the budget and the amount of resources each school gets.

The use of budgeting to implement the changes has created a lot of tension at Magnolia and although the interviewees are in favour of change towards a more efficient, effective and sustainable university, heads of school have expressed their scepticism about the use of centralisation.

5. Chapter Five: Discussion

5.1. Introduction

This chapter aims to provide a discussion of the findings presented in the preceding chapter in light of the theoretical framework suggested in chapter two. This study examines budgeting as a social system, how it evolved during times of change at an English University, Magnolia. As previously mentioned in this thesis, the English Higher Education sector has witnessed a great deal of change, which was mainly as a result of central government spending cuts following the 2008 financial crisis. This chapter will provide a comprehensive discussion of the findings from the case study (Magnolia) using the previous literature as a benchmark. The discussion is guided by the theoretical framework suggested by the researcher based primarily on Structuration theory Giddens's (1984) as it is further developed by Stones (2005). It is important to highlight the ontological positioning of the researcher which is also reflected in the theory used in this research. Any research in social theory is regarded as temporally and spatially positioned which, as discussed in previous chapters, means that this study's findings are valid within the historical time frame of the study and subject to geographical influences. The discussion is an integration of both the contextual and conduct analyses suggested by Stones (2005) and build on the discussion of the theory in chapter two. From an accounting perspective, there have been calls from scholars since the 1980s (Hopwood, 1985, 1987, Burchell et al, 1980) to examine accounting in its context.

Messner (2016) highlighted the lack of management accounting studies that explicitly consider the specifics of the industry they are studying accounting in. He also emphasises how important is considering industry specifics in management accounting research, as it will *“offer better explanations for why accounting is practised in the way that it is”*. (p, 110).

This study has also addressed the call made by scholars (Bromwich and Scapens, 2016) for a consolidation of studies on management accounting. This research combines the findings from other studies and builds on them to provide a comprehensive framework for an in depth understanding of budgeting.

This chapter will be formed of three main parts informed by the quadripartite model (Stones, 2005). The first part will discuss the shift in horizon of actions at Magnolia, discussing the macro and meso level external structures that have led to the organisational change and the outcomes of those structures on Magnolia, the agents in-focus and the budgetary process. Following on that, part two of this chapter will be devoted to the discussion of internal structures and how agents draw upon them in their actions and reaction to the change illustrating it through the budgetary process, its structural properties, the duality of structure and the time-space positioning of Magnolia's case. The third part will highlight the agency of the agents in-focus and agents in-context.

5.2. The outcome of a change in the macro-level external structures

A number of recent studies have examined the change in the institutional environment of organisations in the public sector on the prevailing logic of these organisations (Jrvinen and Parker, 2016, Ezzamel et al, 2012). The findings from the current study have been in line with the findings of previous studies, although the latter have been conducted in different sectors and countries. The English higher education sector has been subject to many changes that are all indicating a corporatisation of the sector. Magnolia as an English university has been undergoing what one senior manager called “Radical change”, which pushed the researcher to dig further to understand the rationales behind the change, how is the change affecting Magnolia in general, and how budgeting is affected as a consequence. As it was seen from the responses of all the interviewees, the change was driven mainly from the macro-environment of Magnolia:

“Well key drivers are environmental drivers... the funding changes and then the student and the parents’ perception changes; the Government policy changes; so... organisations have to change.” (HoS1)

This position was also asserted by a senior manager, who not only sees the change as a challenge, but also as an opportunity:

“So I think the changes in government policy have brought significant changes to higher education. In the last couple of years, we’ve seen changes that we’ve not seen in whole generations probably...that brings with it many opportunities. It brings with it lots of challenges as well, but I think what we’re trying to do is to ensure that we’re as well-positioned as we possibly can be for the changes that are coming about....” (SM3)

In the case of Magnolia it seems that the external structures at the marco level identified by the agents in-focus interviewed during this study have been seen as constraining and imposing an undesired change in Magnolia. Throughout the interviews collected the agents have mentioned their scepticism about the impact these external macro level structures will have on their university. It started off by the agents demonstrating a feeling of powerless against the changes in policies imposed by the different governments in the form of both the introduction of the 9000 pound tuition fees as well as the lift in the cap on student numbers that are perceived to be bringing uncertainty and financial pressure.

The Jarratt Report (1985) report has been around for nearly 30 years, which makes the researcher wonder why Magnolia has taken such a long time to embark on a programme of radical change in 2012. As one senior manager mentioned, the changes to Higher Education institutions has been an evolution rather than revolution, however he also states how 2012 seems to be a turning point for Magnolia:

“I’d describe it as evolution in that universities have always had to manage their finances in a business-like way. But that much more obvious and overt competition between universities, diversification we’ve talked about, cutting costs, that feels as if that’s been a much more recent phenomenon but I can’t say oh on the 31st of August 2005 it changed. You can’t be as specific as that. But you can certainly see a trend I think from the latter part of the 20th century, early part of the 21st century, then it accelerated and then 2012 accelerating further.” (SM2)

The fact that Magnolia has been slow to embark on a change process (strategic change and restructuring) is interesting to note, especially as the policy pressures and changes in the external environment have been happening all along. It raises the

questions regarding the role of external macro level structures alone are not able to trigger change unless there is a desire from the organisation in the form of key agents.

5.2.1. The university changing its strategic direction and becoming more business-like

Magnolia is a public English university and has a charitable status, which makes it a not for profit organisation. However, in light of the change in the English Higher Education environment, Magnolia has been witnessing an increasing pressure on the way it operates, including the generation of sustained surpluses. In fact, one head of school argues that charitable status of the university is not mentioned in any of the strategy documents and discussions:

“...I almost entirely don’t think about it at all [Charitable Status]. So in particular I have no idea what the charitable aims are of the university and I also have no idea where to find those. And I haven’t seen any mention of those in any discussion around formulating the vision and strategy for the university through to 2026.” (HoS2)

It is clear from all of the interviewees’ responses that the university is becoming increasingly commercially driven and is adopting business-like practices. For instance, a management accountant has mentioned the role of HEFCE in the change and also the use of a big four consultancy firm to advise about the change:

“...we’re becoming very tax aware of our operations and I think HEFCE also kind of pushed us into that. ... I think the visual of where we’re going and using consultants and relooking at our business. So I think we’re moving more towards a corporate type of environment. (MA2)

The change in the funding structure had one of the biggest impacts on universities, and at Magnolia, it is becoming increasingly evident that becoming financially self-sustaining is the way to go as one Senior Manager explains:

“It is moving, undoubtedly, more towards corporate identity. I think that’s inevitable, given the commercialisation of the higher education sector. You know, never before has a university had to run so much as self-sustaining, financially self—sustaining organisation. I mean it comes back to the financial bit.” (SM4)

In line with findings from previous studies (Dent, 1991, Jones, 1985, Granlund, 2003), management control systems are used in Magnolia as drivers of strategic change. This was particularly noted by one senior manager who argues that budgets and control systems are becoming the norm compared to when they first joined eight years ago:

“... I’ve been here about eight years, and it’s very interesting the difference now, from when I joined. If you discussed budgets and timelines and actions and measurement, it was like you were talking a different language. Whereas now, that’s kind of the standard. For most... I think most of kind of professional administrative staff, it’s definitely more business-like.” (SM6)

Not only budgets are becoming more apparent, they are also used in a more agile way. The following statement highlights a change not in the importance of budgeting and control systems in general, but more importantly it draws attention on the change in the way these are used:

“So overall the pressures on university budgets have become more and severe which means we’ve got to be more shrewd, more agile in how we use them [budgets] and ensure that we use our budgets in the most efficient manner, cutting out all potential areas of waste.” (SM1)

“Austerity is not the only reason that universities strive to be efficient; a complex range of factors already drive behaviour and ensure that universities focus on efficiency as a fundamental operational priority to support their core activities of teaching, research and knowledge exchange.” (UUK report, 2015, p.7)

This statement, in fact, captures the essence of budgeting as a social tool. The budgetary change in Magnolia is not considered a technical one as most of previous studies in management accounting do (Scapens and Roberts, 1993, Lawrence and Doolin, 1997, Granlund, 2001), it is a social one, where what represents a change is not the introduction of a new method of budgeting. More importantly, the impact of these macro level external structures has been sensed in the way the new senior management has translated it at the meso level (organisational level). It is clear from the interviews that the macro level external structures have had a direct impact on how the university is run. The university is now more aware of its financial stability than ever before as a result of the gradual reduction in the government funding from Home and EU students. The university, as has been mentioned in all the interviews, has become more concerned with budgetary controls where centralisation has taken place. This outcome has also had an indirect impact of the agents in-focus restraining their spending, ability to recruit new staff, replace staff and their level of autonomy.

5.2.1.1. Seeking external legitimization

Magnolia's new strategy document mentions the word sustainability in many occasions. It is particularly visible in the university's new vision that aims to create:

“A vibrant, thriving, sustainable, global and broad-based institution, responsive to, stimulated by and informing changes in the world around us”.

Not only, Magnolia's vision mentions sustainability but the words "sustainability" or "sustainable" have been mentioned at six different occasions, one of which is financial sustainability:

"In all three themes, and increasingly at their intersection, our work and expertise will be valued by those whose interest will provide our financial sustainability."

As the top management of the university, together with the strategy team are responsible for producing the university's strategy, they seem to be influenced by the Higher Education Funding Council for England's (HEFCE) definition of the term sustainability. According to HEFCE's Financial Memorandum since 2010, sustainability of Higher Education Institutions means their financial viability and ability to generate surpluses:

"Institutions should have a financial strategy that reflects their overall strategic plan, sets appropriate targets and performance indicators, and shows how resources are to be used. To remain sustainable and financially viable they should also assess, take and manage risks in a balanced way that does not overly constrain freedom of action in the future." (HEFCE, 2010, p.9)

HEFCE exercises a substantive influence on English universities and Magnolia is no exception. In fact, this is not surprising as previous studies (Jrvinen and Parker, 2016, Moll and Hoque, 2011, Ezzamel et al, 2012) have also found that organisations change as a response to external institutional pressures. Organisational change comes to legitimise the actions of the university towards its funding provider (Moll and Hoque, 2011). Moreover, the top management introduced the new strategy which had a number of work streams, starting by the most significant and disrupting one: "Efficiency and Effectiveness". By seeking external legitimacy, particularly towards

HEFCE's demand for financial sustainability and surpluses, the Vice-Chancellor had to make difficult decisions involving centralisation of resource allocation, greater bureaucracy and job cuts, which lacked internal legitimacy. These initial results are similar to Moll and Hoque (2011) in their study of a newly merged Australian university.

Nevertheless, sustainability seems a big word used in different contexts, this pushed the researcher to ask how it is perceived and what does it mean to the interviewees. The findings showed a divided crowd, with the majority defining it as financial sustainability.

It can be noted from the different interviewees' responses that those with Estates and Facilities involvement have a different view on what represents sustainability than those who are at the top management or even other areas of the university. One senior manager highlights the difference in perceptions by stating that:

"...certainly from the university's perspective, quite often there's a mismatch between the understanding of the bean counters, the accountants, where they believe sustainability is making sure that we have enough money to survive and go forward for the next hundred years... from 'our' point of view, we do a lot of things with the environmental implications in the back of our minds, not in the forefront of our minds and sometimes they lead to financial sustainability, because they save money. But very often, the more sustainable solutions tend to be slightly more expensive. And therefore, we are under quite a lot of tension over the financial sustainability of the university" (SM7)

As the senior manager points out, the professional logic is indeed influencing perceptions of concepts, including what appears to be a major element of the university's new vision. This has also been noted in a top manager's response, who argues that considering from an environmental perspective a:

“...slightly narrower way, which is sustainability often, has a kind of environmental sustainability, that’s a narrow definition.” (SM2)

This divide in perceptions and standpoints is due to the institutional logics of the order they belong to. The apparent importance of insuring Magnolia’s sustainability, the researcher started digging further, in particular, understanding what is meant by sustainability from the interviewees, who are ranging from Heads of Schools to the Vice Chancellor. However, there seems to be a divide on the meaning of sustainability, depending on the professional group the interviewee belongs to therefore the agent’s conjuncturally-specific internal structures (Stones, 2005).

A senior manager highlighted the supremacy of the financial aspect of the university’s sustainability and the fact that this should be done through student fees and research grants as he argues:

“I mean the university has got to be financially sustainable to do anything of course, that’s one of the key aims. There’s no point having vast amounts of investments or vast amounts of cash sitting in the bank if one isn’t attracting students or attracting research grants.” (SM1)

The supremacy of the financial side of sustainability in the quest for a durable university, has also been stressed by a head of school who stated:

“I think we’re a little precious at the moment because in the end it’s only about financial sustainability. Without that you can’t do anything else. You can’t make things greener because you’re in debt. So what comes first? No question – you have to have a sustainable growth model, by that I mean financially and if you like competitively” (HoS3)

Another economic aspect of how sustainability is perceived at Magnolia is through growth and responsiveness to change; in this context a senior manager argues that sustainability is:

“... the ability to maintain your business and grow your business as time goes forward and that means responding to change in a positive way.” (SM3)

The senior manager carries on by explaining how maintaining growth and the financial sustainability of the university requires making difficult decisions:

“In some cases making some very difficult decisions and sometimes decisions that you might not think are necessarily the right ones to be making ‘cause they’re quite big but you make them because you’re making it for the long term success of your business and in other words it will still be here in 10, 25 years’ time. Whereas if you become very closed and narrow in terms of your delivery and don’t change, it isn’t gonna be sustainable, it isn’t gonna be successful going forwards.” (SM3)

Although, the new strategy document mentions how it is important to provide 21st century education, contribute to the community and sustain societies, most of the interviewees have overlooked the social side when defining and discussing sustainability. One Senior Manager has even questioned the reasons why a university may choose to be socially sustainable:

“So social sustainability, depending on how you count that - you know the amount of money that the university is putting into diversity and scholarships and all the rest of it - is some indication of that. Again, you might turn around and say cynically they can’t not do it. That is the nature of the world, which is absolutely true. But it is a little bit like asking a FTSE 100 company how much do you care about the earth and the answer is they absolutely don’t, but they will go along with it for other reasons.” (SM9)

It can be noted from the interviews and various other sources of data analysed that the economic side of sustainability is prevailing or is even considered superior to the environmental and social sides of it. This is not surprising, as the environmental pressures, including those from HEFCE, have shaped the way universities operate. Ensuring English HEIs sustainability is complex, but can be facilitated primarily through generating surpluses and avoiding falling into financial difficulty.

5.2.1.2. Change to the funding structure

The introduction of the £9,000 fees for home and EU undergraduate students since 2010, represents one step toward the major change in English universities, Magnolia included. Universities had to rethink their funding structure but also their spending. All of the interviewees mentioned this factor as a major game changer including one senior manager who stated that:

“The biggest change nationally has been the introduction of the £9,000 fees and hence the majority of our income now comes directly from students who choose to study at “Magnolia” so it has made the recruitment of students even more demanding and challenging than it ever was.” (SM1)

The introduction of the £9,000 fee has contributed to the “identity crisis” of the sector as a whole. There are those who regard the university as a service provider and the students as paying customers, and those who argue against it. It is no longer a matter of providing excellent education but it is now, more than ever before, evaluated based on the concept of value for money. As one Head of School argues:

“Now we have to be really conscientious about value for money because there is a perception that the students, or student families, pay for the tuitions. Then the university is a service provider... This kind of service model becomes more

explicit and therefore you need to really make sure that they pay that much and you have to give them that much. A good quality.” (HoS1)

However, another Head of school seems to disagree with the idea that the introduction of the £ 9000 should make the university a service provider; The Head of school explains how:

“On a personal level I intensely dislike the idea of a student being seen as a customer...It’s partly because your relationship with them as a learner is more than just somebody buying product... you’re trying to build a learning community and it’s very difficult to do that when you feel that you’re the one providing a service rather than being a facilitator of somebody becoming a better person in many ways.” (HoS4)

As a result of the macro level external structures the university’ overall orientation is shifting from a professional vocation (Education) in the form of teaching and research to a more business-like orientation where financial sustainability and performance is becoming increasingly important, managerialism and bureaucratic structure is prevailing. Nevertheless, Magnolia is not shifting completely towards becoming a business despite the managements accountants’ view that the university is run in a business way, instead, higher education in England is under a mixed overall horizon, where the delivering excellent teaching and research is still at the heart of its raison-d’etre, however, not at any price.

Universities are traditionally considered to be “...collegial communities that have enjoyed professional autonomy, their members having the freedom to set their own priorities and goals according to criteria set by their disciplines, rather than by the institutional needs of their employing organizations.” Harley et al. (2004, p. 330); however, this is no longer the case in Magnolia in particular, as following the new

strategy a wave of centralisation of decision making has been taking place, reducing the level of autonomy of heads of schools but also academic staff. Introduction of bureaucratic and multi-layer authorisation procedures with increased paper work every time spending is required for academic purposes.

These results seem to be in line with those by Christopher and Leung (2015) in their study of an Australian university, as they concluded that the corporate culture is taking time to be adopted and that the university is not fully a corporation. Magnolia, as mentioned before, is currently in a transitional place as it is slowly adopting corporate like management style, while keeping its relative professional and public sector culture.

5.2.2. The English Higher Education Market

What Nick Hillman (2014) refer to as *“an attempt to produce a higher education market...”* which will lead to the *“...liberalisation of English higher education”* (p.7) is in fact a historic change in the sector. The creation of a Higher Education market is facilitated through the abolishment of the cap on the number of Home and EU undergraduate students that universities can recruit each year. The lift was announced in 2013 by the Chancellor of the Exchequer with effect from the 2015/2016 academic year. Challenges of the cap lift. The greatest change that can potentially be a consequence of this move, is that students will migrate from the low performing universities to higher ranked institutions, pushing the former out of the “market”. This is not potentially a threat to Magnolia as it is a red brick university in the top 25 universities in the major league tables. Nevertheless, this measure brings with it uncertainty which is directly linked to the finances of the university as the following senior managers argue:

“If you go back ten years maybe or even just five years, each year the university could predict pretty well the number of students it was going to be able to recruit each year, the quality of those students and the subjects that they’ll go to study in. It’s now massively more uncertain and the lifting of the student cap is going to increase that even more.” (SM1)

This is eventually going to be translated in the financial terms, as the uncertainty about the numbers brings with it the uncertainty about the income generation and ultimately budgeting:

“...the changes that happened have been quite radical... so that is making the situation rather volatile because you’re trying to respond and you’re not kind of sure what the effects of this are and you’re not sure what competitors are doing.

And so certainly in relation to sort of budgetary things for the university as a whole and more locally it's difficult to project what the effects of that are going to be and certainly 'Magnolia', I mean I don't feel 'Magnolia' is in a good a place as some other universities." (HoS2)

Although, it may seem from the comments above that the abolition of the student numbers cap poses threat to some universities, it has also been noted from the data that it can represent an opportunity.

5.2.2.1. An increased competition

As a consequence of the lift of student numbers cap and a shift from a government funding into a student funded education, the university is faced with an increasing amount of competition with both national and international Higher Education providers. Most of the interviewees have mentioned the increased competition in the sector as a factor for the strategic changes at Magnolia. As one Senior Manager puts it:

"...dramatic changes in the economy through the country, the demands on young people and hence students themselves are much more demanding regarding the quality of education they receive and the sort of experiences they receive. So 'Magnolia' has had to compete even harder than it used to, to recruit its home and EU undergraduate students." (SM1)

The competition is not only national or regional, it is becoming global. English universities are part of the global market of Higher Education providers. Therefore, changes in the performance of universities in other parts of the globe will affect the competitiveness of English universities and Magnolia in particular as another Senior Manager explains:

"Look at it in the global context of the rising university economies, parts of the world where you have seen almost from nothing major international universities

emerge and that's having a huge effect. So I think it's a combination of the domestic effects and the international effects that really do make me think this feels like shock therapy." (SM2)

Another Senior Manager emphasises on the increased competition in the global market and how it affects Magnolia:

"Now at the same time there's been growth in the quality and the number of higher education institutions throughout the world especially in China, South East Asia, Latin America and hence students have just a dramatically increased range of options to where to go to study and the type of degrees... So that puts further pressure on the competitive environment in which 'Magnolia' has to operate. So for the university as a whole it means it's got to use its own resources in I think quite a different way than it has previously to be able to recruit the overseas students and home students." (SM1)

Having said that, it seems that now more than ever before Magnolia needs to be a strong competitor in the sector both nationally and internationally as this is linked to its financial sustainability. One Head of school links competitiveness to income by stating:

"On the teaching side, which is the other third of our income, so we need to compete as strongly as possible in the undergraduate market which is kind of the largest part of it, and part of that is being as competitive as we can in terms of our marketing and part of it is being as competitive as we can in terms of the courses we're offering and thinking about new courses we should be putting forward. And then we need to be competing strongly in the overseas market and being proactive in terms of initiatives" (HoS2)

A Senior Manager looks at being competitive is not only a matter of the near future but also the possibility to be ahead of other Higher Education providers in terms of courses to deliver, identifying and catering for the job market's needs. The senior Manager explains that:

“Education in particular I think is a variable; we know it is a very rapidly changing environment... there’s a very high percentage of jobs in 10 years’ time that will be available that we don’t even know what they are yet so we don’t have the courses in place so we’re gonna have to ensure that we are thinking about developing those types of innovative new courses to provide those employers who we don’t yet know who they are and what the jobs are with the graduates.” (SM3)

The overall analysis than can be made from this shift is that the macro level external structures have had an impact on the conjuncture-specific internal structure that the agents in-focus notably the heads of school in becoming increasingly accountable for financial outcomes and performance at the same time their level of autonomy and perhaps agency has also been reduced.

5.3. Meso-level external structures

It was noted from the data that the change at Magnolia was not solely due to the change in the English Higher Education sector, but also due to two main meso level factors: the change in the university’s leadership in the person of the Vice Chancellor and a consensus about a natural need for change. Simons (1994) was one of the scholars who highlighted the role of new managers in the implementation of change and how management control systems are used as channels to implement change. Not only that, but new managers bring with them their own sets of beliefs and values that they will want to introduce to their new organisations (Simons, 1994) and as a way to minimise resistance, key staff at the organisation will be changed as well (Tushman et al, 1987).

5.3.1. Change as an organic process

A number of interviewees have mentioned that the new strategic stream on efficiency and effectiveness is an organic proceeding for Magnolia, as it is always desired to be more efficient and effective. The statements of some of the interviewees provide evidence of an internal desire for change whether or not the new strategy was introduced:

“...if there are more efficient ways to do it, you should do it anyway, whatever the strategy is and then you use the savings to kick start our investment in modern languages or agricultural, business or whatever it is.” (SM5)

“...we need to look into efficiency and effectiveness... partly due to the funding change, partly we would like to do that.” (HoS1)

To the best of the researcher's knowledge, no other studies in management accounting change have stated that agents in-focus regard change as a natural process. Although all interviewees seemed prone to change, the Heads of School in particular were not in favour of the way change was taking place at Magnolia as it will be seen later on in this chapter as they expressed concerns over autonomy and questioned whether these changes are going to lead to efficiency and effectiveness at all. The paradox for heads of schools as the agents in-focus has been an interesting finding as it not only reflects that they are not happy with the change but demonstrates a certain level of agency as one head of school has mentioned that he had to push back changes that he was not consulted in.

5.3.2. New Vice Chancellor as an agent in-context

As mentioned earlier, it is mentioned in the literature that organisational change in general and that to management control systems is prompted by the change in

leadership (Simons, 1994, Gabarro, 1987). This has also been noted in Magnolia, through observation and through the interviews. During formal discussions with the interviewees, many have mentioned that the arrival of the new Vice Chancellor in 2012 has triggered the strategic change which was in the form of formulating a new strategy, new vision and ambition for the university. However, whether the Vice Chancellor was the sole initiator or was he an executor remains not very clear. This ambiguity was spotted in the answer of one senior manager who stated that:

“Well strategic directions for universities are very much the direction of the Vice Chancellor. Now each of the Pro-Vice Chancellors who’ve been here for some time, have had strategies for their particular areas... We appointed a new Vice Chancellor in 2012 and part of his requirement to come in was to put the university on a strategic direction so it’s through his influence that he’s shaped and formulated a strategy for the university as a whole. That doesn’t necessarily override or change existing strategies; I think they’ve become embedded within that. Whether one might look back at our previous Vice Chancellor and one might say did he have a strategy, had he implemented one, I’m not entirely sure whether that’s the case or not but the change of a Vice Chancellor is always a good time to bring a new strategic vision in...” (SM1)

Although the researcher did ask a follow up question on whether the Vice Chancellor was appointed with an already set agenda, the senior manager responded saying that this is a question that needs to be asked to the Vice Chancellor. Nevertheless, not any new Vice Chancellor would have done the same job, as the changes brought in are strategic and very challenging. While other interviewees have also acknowledged the change being initiated and overseen by the new Vice Chancellor, one head of school in particular pointed out to the fact that the new leader has an unconventional background. The newly appointed senior manager does not have an academic

background, instead he has been in one of the most senior positions at the UK department of Education and has a track record of implementing major change.

“... I think this VC came in from a non-HE background, a deeply educational background, found this a really exciting challenge, took him a couple of years to get around the place and I think he sensed that there could either be a major change or accommodation to change and I think he’s recognised that major change is absolutely necessary.” (HoS3)

It has also been pointed out by other interviewees, how the Vice Chancellor is leading the change, however, he is also involving a strategy team, strategy task force groups and a big four consultancy firm:

“I think the VC himself is leading this, the team for change and then there is really a team of strategy... Then there is also a consultancy firm... who have been invited to advise us of how to make change. It is very important to know how to change without upsetting the current operation, so continuity is important in our operation.” (HoS1)

The hiring of the pricey big four consultants has been negatively received by the majority of the university, but it is more importantly an indication of the desire of the New Vice chancellor to bring private sector practices to the university, a step towards NPM (ter Bogt and Scapens, 2012).

As mentioned at the start of this section, the strategic change at the university has been not only the result of one factor and not only a response to the external institutional change, instead it is a combination of the latter and internal factors. These internal factors such as a desire to be efficient and improve, as well as the arrival of a new Vice Chancellor.

5.4. The multiple facets of budgeting in the changing Magnolia

A thorough analysis of the impact of the macro and meso level external structures on Magnolia has been outlined in the previous section. The analysis identified that the change in Magnolia is the result of external institutional pressures that have shifted the main overall orientation of the university from a traditional public sector educational provider to a newly market orientated, business-like educational provider. Identifying this shift is theoretically significant, particularly in an accounting study as it provides the clarification to why accounting is used the way it is and how change macro and meso levels structural framework an organisation affects an internal process such as budgeting.

From the literature review chapter, it can be seen that budgeting has been identified to play mainly three roles: an information system (Ahrens, 1997, McKinnon and Burns, 1992, Mellemvik et al., 1988, Dent, 1991), a tool for legitimacy (Covaleski et al, 2013, Moll and Hoque, 2011, Parker, 2008, Jrvinen and Parker, 2016, Ezzanmel, 2012) and a control mechanism (Abernethy and Brownell, 1999; Anthony, 1965; Simons, 1987; Simons, 2013). Although, these studies have highlighted different roles of budgeting separately, when combined, they provide a rich understanding of its multifaceted nature. Anessi-Pessina et al. (2016) consider budgeting in the public sector to be: "... a tool for bargaining and allocating resources, for planning and controlling, and for ensuring transparency and stakeholder involvement". (p. 493) which highlights its multiple roles. However, in this study, these roles and usages of budgeting have been built on following Giddens's (1979, 1984) Structuration Theory as a guiding framework. The findings have revealed the multifaceted and multi-level nature of budgeting at Magnolia, which is one major contribution to the management accounting literature.

Budgeting as a social system, provides a continuous interaction between agents and the structural properties of budgeting: Signification, Legitimation and Domination. Budgeting is also revealed to be used at both the inter-organisational level, i.e. between individuals and groups within Magnolia and at the intra-organisational level, i.e. between Magnolia and its funding body HEFCE. Budgeting is also found to be influenced by the shift in the overall institutional logic of Magnolia and is used by the top managers to implement the strategic change. A detailed discussion of these elements is presented next.

5.4.1. Relation of power and domination in the budgetary process

This study has revealed the power relationships around the budgetary process, whereby the senior managers, in an attempt to introduce strategic change, have centralised the allocation of resources and have made the budgetary process highly bureaucratic where authorisation from the centre is frequently required, resulting in a reduced autonomy of heads of schools as budget holders.

Many interviewees have identified budgeting as a control mechanism that is used by the centre to influence the activities, decisions and business operations of the schools:

“I think certainly the budget is a mechanism for the university to influence and govern the whole university... So the budget is very useful. It is a centre and if we were to reflect business decisions, priorities and then like a critical issue, school business operations, so I think that the university is using that and then the budget has that kind of function.” (HoS1)

This finding is in line with Simons' (2013) who defines Management Control as “the formal Information-based routines and procedures used by managers to maintain or alter patterns in organizational activity”. (p.5). Moreover, the usefulness of budgets is

not denied, however, some heads of schools have later on expressed their concern on their own autonomy on managing the schools as they see appropriate.

All heads of schools have expressed discontent about the control role of budgeting as it is used by the centre, especially the use of the vote system as a resource allocation mechanism. One head of school, has particularly explained the budgetary process at Magnolia in a clear way by stating:

“...a feudal enterprise I’m telling you [Budgetary process], but essentially it’s a tax system that works income from students and activity generated by the school. It’s collected by the Centre. It’s then formulated and distributed back to the schools, that’s called the vote. So no-one understands it but anyway. That means that each year you get this chunk. You’re also taxed for all the central services; IT services, the library, student services, and all those things, the grounds, the gardens, the whatever. So that’s a tax system, central tax. Then there are some monies which are kind of yours, okay? And if they’re yours then there’s still a tax but it’s much less... But it does mean that what is the key resource, which is staffing, it’s still highly controlled centrally by the university, even if I’m going to spend technically what is our money I have to get permission to do so on said individual, whether it’s a Professor, or a Lecturer, or a Technician or whatever and so it’s not like a business in that sense. It isn’t. It still is a kind of bureaucracy of control in that way.” (HoS3)

The statement above conveys a strong message of discontent and most importantly the constraining nature (Giddens, 1979) of a centralised budgeting system. Moreover, these quotes highlight not only budgeting as a social system with structural properties but also the influence that internal general-dispositional and context-specific structures have on the agents’ perceptions. These agents in-focus are all academics by background, although their role is now involving managerial duties, they still have a

certain level or required autonomy. The agents are drawing on their own hierarchical position at the university to perceive the power at their disposition.

5.4.1.1. Centralisation of the budgeting process

One of the most apparent aspects of change to the budgetary process is its centralisation. The very first step in the implementation of new strategy, was to concentrate the budgetary control at the centre of the university. The resource allocation is determined by the centre and in addition to that heads of schools, or indeed any budget holder at the university, will need to seek authorisation from the centre. In this case, it seems that budgeting is used as a diagnostic control mechanism (Simons, 1994), which is demonstrated to have adverse effects on the overall performance of the organisation, compared to the interactive control.

One senior manager in particular, noted that Magnolia needed to centralise its resource allocation and authorisation processes as part of the new strategy implementation. He explained that new areas need to be developed and the funding will need to come from other parts of the university:

“If you have a strategy which you say is going to influence the way that you behave that means there are resource implications. It is trivial, therefore, if you say that we are an all embracing European institution. By implication modern languages has to be an important part of the institution and therefore you have to increase the number of people in modern languages. In the short term if you are increasing modern languages somebody suffers at the other side because people are doing things that don't matter. So there is a rebalancing and in a sense if that rebalancing wasn't happening then the strategy is pointless, because the strategy changes behaviour.” (SM5)

This statement highlights how the budgetary process is used, through centralisation, to exercise power which creates the domination of those at the top of the hierarchy towards the rest of the university. This is a choice made by the top managers, deciding that the university is an “all embracing European institution” then deploying the resources from other areas of the university demonstrates agency and domination (Giddens, 1979, 1984).

As all Heads of schools, change is perceived as a natural process and that the university’s deficit needed to be addressed. However, none of the Heads of Schools seemed to agree with the way the top managers, through the lead of the new Vice Chancellor, were addressing the issue. Certainly, one Head of School has clearly compared the budgetary process as it is done at Magnolia is “Stalinistic”:

“So fundamentally the purpose of budgeting is to make an organisation sound healthy and effective and people feel it’s been fairly distributed and they can see transparently that it’s been fairly distributed... we were in debt 2 years ago, we will all drive at that together and then you have what is essentially a consensual model of budget distribution rather than a Stalinistic kind of model of that’s it, that’s what you get. So that’s a bit simplistic but it’s kind of fundamental to what I believe about budgeting.” (HoS3)

5.4.1.2. Keeping the university balanced

The argument that the senior managers provide in defence of the centralisation of the budgetary process (Resource allocation and authorisation) is that it helps the university remain balanced. The centralisation of the budget allocation to schools and to non-academic services is suggested by the senior managers to be the binding system of the university as it allows areas that are not performing well enough (financially) to continue operating. This is indirectly due to the introduction of the £9000

fees, as students now consider themselves investing in their education, thus gravitate towards vocational subjects such as Accounting and Business studies. This increase in students choosing degrees offered by the Business School will have a positive impact on that school and an adverse impact on other subjects offered in other parts of the university. Therefore, having a centralised budgeting system allows the maintain of the balance of the university as one senior manager suggests:

“...because I think even the Vice Chancellor isn’t thinking of closing the rest of the university to support a single Business School.” (SM5)

Nevertheless, the situation of having financially “less” or “poor” performing schools is not seen acceptable anymore. Having a budgetary system that is driven from the centre allows for control and for ensuring an efficient and effective running of schools across the university to avoid poor performance. One senior manager in particular has stressed the importance of having a centralised budgetary system which allows a certain level of autonomy to the schools, but has the ultimate say in their decisions:

“It’s very tempting to say you should devolve everything down to the academic school. Who could argue with that? So the Head of the academic school has all the resource allocation decision and it’s good... Except what happens when something goes wrong elsewhere in the university and then you essentially have to take the resource off the so-called successful schools.” (SM2)

However, during the implementation phase of the new strategy and with the help of the consultancy firm, the university identified those poor performing areas that as one senior manager stated:

“... we had to make some hard decisions about which areas of activity we support and which we don’t and that’ll be manifest as to how we use our budget effectively.” (SM1)

One senior manager has reduced the budgetary process to control by actually linking its viability to the ability of the centre to manage the university by stating that:

“Now if you go to devolve budget then the danger is it just becomes a façade...”
(SM2)

There seems to be a controversy between “business as usual” which has been challenged through various communications by the Vice Chancellor in particular and the top management team in general, and a radical change where the identity of a university as a higher education provider is lost.

The interviews allowed a very deep understanding of how budgeting is perceived and used by the senior managers, primarily as control mechanism and as a channel to exercise power and domination. On the other side of the power relationship reside the budget holders, who are seeing a decreased level of autonomy and an increased level of bureaucracy.

The centralisation of the budgeting process has been especially felt by those budget holders whose powers have been reduced as seen in the next section. This process also demonstrates how agents in-focus have a limited agency, especially as the change has been imposed on them and there was nothing they could have done to change the outcome (Stones, 2005). They can walk away, but again this is perhaps a difficult option if there are other general-dispositional factors to take in that the researcher has not necessarily captured from this study.

5.4.1.3. A reduced level of autonomy

The centralisation of the budgetary process was also accompanied by the centralisation of support services, which made the IT services, admissions services

and other administrative services scraped from the school level and concentrated at a central level. This move has generated opposition not only from Heads of Schools but also from Staff Union and the Students' Union. The centralisation as mentioned before, comes as a step toward a more efficient and effective university. However, this is the view of the top managers, which is not shared by the Heads of Schools who although understand the need for scrapping duplication of jobs, still defend the delocalisation of these services for the smooth and effective running of schools. As it can be clearly seen from one HoS's statement:

"... Change of admission into centralised manner... it is OK, I work on that. But then sometimes it is slower because the centralised admission mechanism would not be so clear about different cases... At the school level the support is there... so a quicker response. But I recognise that, that means distribution of the resource and then probably duplications, but you can say, ah, duplication of the resources in different schools and therefore we concentrate everything to the centre then you lose the quality of service. Also the response will be longer." (HoS1)

Another Head of School has also expressed concerns of loss of control over the quality, efficiency and effectiveness of the IT services when these are centralised. He mentioned that his school relied greatly on IT services and that the money spent on it is far greater than the money allocated to it by the centre, as they have income generation streams that allow them to afford such decentralised service.

"... we are a successful school financially and so the university gives all the schools money for support staff and in a lot of schools that's all the money they spend on support staff, but we get about £££K a year and then we spend about £M on support staff because we have a lot of other income coming in and we consider that we need these additional support staff to enable us to do what we do most efficiently. And so there's a sort of dumbing down concern that we

might have this money pulled off us and then have that kind of smeared across the rest of the university and then we kind of might end up subsidising what happens elsewhere...” (HoS2)

Reducing the level of autonomy has resulted in the rise of the authoritative use (Giddens, 1979, 1984) of budgeting, whereby Heads of Schools have to not only ask for authorisation when it comes to spending their own budget from the Dean, but also having to put a very strong case for it, notably when it comes to the recruitment of new members of staff as one head of school puts it:

“I have to justify. If I want to have a new member of staff, I have to justify. I have to justify very hard to the Dean.” (HoS1)

It is not only the Heads of Schools who need to justify their spending and ask for authorisation from the centre; the professional services’ heads – as budget holders – are also facing a stricter budgetary process:

“Well, I always have to persuade somebody to write me a cheque for everything I want to do. So, if I can present them with a win-win situation, it makes their life easier, it makes my life easier...” (SM4)

The Heads of Schools have all been mindful of the usefulness of the budgetary process, particularly through the regular reviews they have with the Management Accountants and the centre, which allows for better control of spending and understanding of their income and expenditures. However, they find budgeting to become constraining when extra spending is needed although for academic purposes like the recruitment of a new eminent member of staff.

The constraining properties of centralising the budgetary process have also been mentioned in the context of reducing the amount of money each school gets allocated.

This is putting extra pressure on the budget holders in terms of the decisions that need to be made regarding how to spend the reduced resources allocated to them as one Head of School explains:

“...it then gives me hugely less local control and so at the moment for example I’m making decisions about do I spend on support staff or do I spend on academic staff or permanent research staff...” (HoS2)

Providing autonomy to Heads of Schools is the way to efficiency and effectiveness

Although, the senior managers see centralisation of the budgetary process as an imperative for the reorientation of the university and ensuring its financial sustainability, Heads of Schools do not seem to agree. In fact, many Heads of Schools have expressed their disagreement with this approach and argued that the answer to a better performing university is in providing heads of schools with the freedom needed to do their jobs. Each Head of School has expressed the idea in a different way as it can be seen from their statements below:

“So I kind of, I guess I’m really optimistic about staff being, groups being given a degree of autonomy but also being given honest messages which is you know you need to sort yourselves out, if you don’t sort yourself out we will do it for you and you won’t like it and usually the response there I think is that people will try it and I think if anything is going to help make ‘Magnolia’ more effective and efficient it’s encouraging that style of leadership, that sort of style of person in charge.” (HoS4)

“...I think the vote system is absolutely feudal and out of date. I think probably – this would make the university nervous – but a much more devolved model would be much more effective. People look after their own money very, very carefully. It could still be taxed, still pay for the library but the more you give people a decent level of autonomy with policy control, auditing, the more you’re likely to get efficiency. Not the other way around. That’s my view.” (HoS3)

“So at the moment I have quite a lot of flexibility about where we prioritise things and I can choose one year to spend more on support staff and less on ... and so there’s a kind of potential big impact on me in terms of the control and flexibility I have.” (HoS2)

It seemed that those who are successful at managing their schools financially, are the ones that do not appreciate the increase in bureaucracy and centralisation.

One head of school has portrayed the situation emerging from the centralisation process and the quest for efficiency and effectiveness as “a profound tension”. This highlights once again the disparity between the vision of the top managers and that of the Heads of Schools in regard to the way the university should be managed and change conducted. However, the request for an increased level of autonomy is not to be confused with independence as one Head of School stresses out:

“...Not independence at the level of being separate but actually to get on with things that they think will work...” (HoS3)

What all heads of schools have been referring to is a more interactive style of management control (Simons, 1994), where there the top managers and the budget holders are in constant conversation about the budgets and how to move the organisation forward, which seems to be lacking at Magnolia during the time the research was conducted.

The ambiguity surrounding the “vote system” has been coming up in every interview with heads of schools. This is once more a demonstration of limited agency that Stones (2005) argues in the face of conjuncturally specific internal structures.

5.4.1.4. Multi-level budgeting

It has been identified from the data that the budgetary process is much more complex at the university as there are budgetary discussions and decisions that are made between the members of a school, and those between the schools and the centre. It has also been identified that budgets are used beyond the organisational level; between the university and its funding body HEFCE. It is the latter relationship that has been extensively studied in the literature (Macintosh and Scapens, 1990, Covalleski and Dirsmith, 1988, Moll and Hoque, 2011). It has been noted from the responses of the Heads of Schools that they refer to the budgetary process at the school level to be participative and interactive, whereas, they see it as feudal, outdated and stalinistic at the university level:

“...Every spring, around March, we ask each programme to put in their staffing requests for next year. They are costed by them and relate to last year and then they come to a meeting and we sit around and look at them and we talk about it. It’s about wishful communicative transparency and then they go away. And when we’ve done all those meetings to everybody, we feedback to everyone and say yeah that’s perfectly fair and reasonable but what about this. Or, actually I think you’ve under ... what about that.” (HoS3)

“But certainly there is feedback and then discussion or input from staff as to what they think the priorities for spending should be and that’s helpful in terms of helping people feel involved and lots of feeding ideas in, in terms of what we might do....” (HoS2)

On the other side, one senior manager also perceives that the centralisation of the budgetary process is not as centralised as it sounds. The senior manager explained that there is a process by which the centre meets with Heads of Schools to discuss their plans and targets, then come up with a consensus:

“We as a university have introduced recently an annual process whereby we meet with every school to talk about their current teaching and learning provision and their ambitions for the future and we also set target numbers for each programme, each school. And that’s undergraduate, postgraduate taught, PGR, overseas and home EU numbers. When we set those, we agree those as best we can with the school ‘cause they’re ambitious but they are hopefully achievable and once we’ve agreed them we can obviously do some calculations with respect to financial forecasting...” (SM3)

Nevertheless, a management accountant stated that the process can be participative to a certain extent, but ultimately the final decision remains with the senior management:

“... discussions are then had about what they can spend, depending on the strategic direction of the university, so... Lots of things are weighed up, you know, how many student numbers they’ve got, what their brief looks like. So there’s quite a lot in there and obviously not everyone could have the money. So they’re sort of ranked against each other, as in what’s the most deserving case. So it’s a bit of both really and the schools, with their accountants, come with suggestions, but ultimately, it’s senior management that decide what they can and can’t do.” (MA2)

5.4.1.5. Lack of accountability from the centre

The effect of a lack of transparency in the allocation of resources in English universities has been highlighted by Angluin and Scapens (2000). They have found that those universities with less transparent regimes of resource allocation have a greater feeling of unfairness among their staff members. It seems that the picture has not changed since then, as Magnolia’s Heads of Schools have also expressed their frustration with the opaque system of resource allocation. The resources are allocated through the “vote” system as mentioned in earlier discussions; however, what constitutes “the

vote”, or in other words the percentage of resources each school gets allocated, remains unclear. All Heads of Schools share the same concern around the allocation process as it can be seen from their answers below:

“Well I’ll sum it up. I think it’s probably a fairly weak frustrating model at the sharp end here. It is not transparent. I don’t know how the vote is calculated... So it’s lots of room for improvement in my view in central budgeting. I think all schools would collaborate with that ‘cause they want it to be clearer... (HoS3)

“...There’s a part of the resource we get which is to do with support staff and that is kind of completely historical... I discovered recently in the last couple of months I get less support staff vote than XYZ school. So I think probably in terms of kind of staff numbers... I’m probably three times bigger than XYZ school so why am I getting less support staff over XYZ school?” (HoS2)

“So the university’s vote system... to me is not transparent. I have no idea how the vote is calculated. Well I know it’s if you have more students and more you know but I don’t know what the algorithm is and that’s not shared... because then if I knew how it was, you could gain the system to sort of to your own benefit... What’s interesting is if you actually looked at the size of our vote over the years you’d see it actually hadn’t changed very much or if anything slightly declined in spite of greatly increased numbers of students. I’m not quite sure why it works that way... (HoS4)

It can be suggested here, that the increased level of domination is reinforced through the lack of transparency of resource allocation. As HoS4 mentioned, it would have been to the advantage of schools to know how the vote is calculated, which will enable manipulation of the process to ensure a maximum resource allocated. This statement reveals the “game” nature of budgeting as Hofstede’s (1968) has referred to it “The game spirit represents motivation of the budgetee ‘from within’... it supposes a certain amount of free scope and the absence of rigidity, because a game requires a free area to play in.” (p.6). Budgeting has also been referred to as a game by Seal and Ball

(2011) and found that although budgetees may have the ability to change the resource allocation to their benefit, only Nevertheless, once the rules are understood, it becomes easier to play by the game, which is not the case at Magnolia, at least not at the time when this research was conducted.

HoS2 has also mentioned a very interesting point about the budgetary process at Magnolia, not only the vote system is not understood, but even information on how much every school gets in budget compared to the level of staffing is not available. It can be concluded that having an opaque resources allocation process is seen as a constraint to the actions of Heads of Schools (agents). The lack of transparency of the budgetary process is, on one hand, limiting the ability of Heads of Schools to act otherwise, while, on the other hand, enabling the senior managers to exercise domination.

5.4.1.6. Dialectic of control

Although it seemed from previous sections that the senior management at Magnolia is exercising absolute domination, it was noted from the responses of some heads of school that there is room for dialectic of control (Giddens, 1979, 1984). One Head of School, in particular, mentioned that when the report on the centralisation of the professional and support services came out, he and others “pushed back”. This detail is very significant, as it reveals the agency of the Heads of Schools in this power relationship at Magnolia. Although Heads of Schools can be considered as subordinates in the hierarchy according to Webber’s connotation, they are not powerless. Which is in line with Giddens’s (1979, 1984) notion of dialectic of control. The dialectic of control of public sector bugetees has also been explored in a study by Seal and Ball (2011).

Following the Heads of Schools' rejection of the actions suggested in the first report, a number of consultation sessions have taken place on various strategy streams, including Efficiency and Effectiveness. One Head of School expressed his optimism on a more collaborative and participative change process, especially on the area of efficiency and effectiveness where the changes have been creating tension the most:

“So with the other strand I think the Heads of school and certainly myself in p ...we have kind of substantial opportunities to shape things at the moment, or at least it's looking like we're going to, but it remains to see what happens I guess.” (HoS2)

It was noted from one senior manager's response that Heads of Schools, or indeed any budget holder, have the ability to influence how much funding they get allocated from the centre, demonstrating once again the dialectic of control of the Heads of Schools. Although, he did also say that ultimately the decision gets made by the centre and it is non-negotiable as of “this is how much you're getting and get on with it” (SM3), Heads of Schools can influence the decision before it is made.

5.4.2. Legitimation as a structural property of the budgetary process

The role of budgeting as a legitimacy tool has been extensively studied in the literature (Moll and Hoque, 2011, Covalski and Dirsmith, 1988) however, it was mainly studied in terms of external legitimacy instead of how it is used to internally. In the case of Magnolia, legitimation as a structural property of the budgetary process is examined at multiple levels. At the school level, all decisions made, particularly those involving a significant spending, have to be justified through the budgetary process. Moreover, schools are monitored for their performance, which can mainly be demonstrated through the surpluses achieved (underspending or generating more income than

originally expected). At the university level, budgets are used as a benchmark to assess the performance of the university by the funding provider, notably HEFCE. However, the external usage of budgeting has not been examined in depth in this study as it was not covered in the interviews. Instead, the researcher has noticed a pattern in the responses made by the interviewees and information available on the internal documents reviewed and events attended, with the various HEFCE documents on the management of Higher Education Institutions. The pattern noted was that the message from HEFCE is the same as the one in the new strategy and communicated by the top managers: realising surpluses and the need for sustainability, more precisely, financial sustainability. The studies reviewed in public sector organisations have examined how budgeting is introduced to demonstrate external legitimacy following a crisis situation (Abernethy and Chua, 1996, Berry et al., 1985, Collier, 2001, Covaleski and Dirsmith, 1988), or adopted budgetary systems that are similar to those used by their funding body (Moll and Hoque, 2011). However, these studies do not provide an understanding on budgeting's dynamics for internal legitimacy.

At Magnolia, the lack of transparency on the resource allocation from the centre makes legitimisation a one-way relationship, where the schools are held accountable for the budgets they get given to spend, and not being accountable itself towards the spending nor re-allocation of resources. The pursuit of external legitimacy through change to the budgetary process at the detriment of internal legitimacy creates tension and compromises the process of change (Moll and Hoque, 2011) which seems to be the case at Magnolia, creating an atmosphere where budget holders have a feeling of unfairness and discontent.

The budgetary process is used by the senior management team to monitor and hold accountable the schools. An effective resource management is, argued by the senior managers, to be reflected in underspending. In case overspending occurs, it poses serious questions on how the school is managed which may have consequences for the Head of School as it was mentioned by many senior managers. However, those

“...Schools that generate a surplus at the end of the year they don’t spend all their budget but obviously we like those schools provided that they are investing in the activities they need to do so. So we look at financial performance of schools constantly, yeah. It’s a constant bit of the dialogue.” (SM1)

This perception of budgets has also been echoed by Heads of Schools, notably HoS1 puts simply:

“Managing the budget? At the end of the day it is how much is surplus or how much is in deficit...”

Another senior manager even reduced the role of budgets to reward and threat. He suggests that the budgets become pointless if there is no threat of overspending. The senior manager argues that:

“Budgets only have one purpose if either there is an award for exceeding them or a threat if you don’t.” (SM5)

These findings lead to deeper discussion on the nature of budgeting; it has normative aspects. As the senior managers stated, schools that overspend their budget are frowned upon while schools that underspend are celebrated. Thus, the norm is to underspend and if the opposite happens there are sanctions in place. Therefore, legitimation is reached by following the norm (Giddens, 1979, 1984).

Moreover, both Heads of Schools and Senior managers have acknowledged that budgeting is a reward and punishment system. The budgetary process becomes a mean for punishment by the centre taking over control of the school concerned. One senior manager recalls this situation happening:

“...I can think of one academic school in my time where we didn’t quite withdraw all of it but boy we really ... we were in there policing it because I think we’d got to that situation where it got a bit out of control. So that’s quite a sanction that the academic school in a sense loses control over its own destiny and then to be frank about it then you have to make a judgement about whether the Head of the academic school’s the right person to lead it if you think that the budget control hasn’t been appropriate.” (SM2)

Giddens (1979, 1984) only highlights the sanctioning aspect of norms, which seems to also be the case in Magnolia, as sanctioning overspending takes centre stage, whereas, the reward aspect of abiding by the norm gets lost in the background. In fact, one senior manager did mention that Heads of Schools complain about the absence of rewards when they outperform the budget, which he thought was exaggerated. The senior manager regards the reward to be in the form of having recruited more students, generated more research income which have led to underspending. The argument seems to be inverted, as these are factors that contributed towards a greater income compared to that budgeted for, whereas a reward is meant to be a consequence of the action. However, the senior manager also stated that:

“...the truth is the departments or academic schools that are successful do have more discretion because they’ve generated more income, sometimes more overhead income. But people will always say oh yeah they don’t reward success the way they should.” (SM2)

It has been noted from the responses of the Senior managers that the focus is mainly on the punitive aspects of budgeting, which is also reflected on one Head of School's statement:

"It's very, very easy to make it negative and punitive and much harder to make it positive and supportive but if you don't make it mostly positive and supportive then you only get the other side." (HoS3)

Although the discussions at the university are becoming increasingly centred around budgeting, achieving a surplus and being financially sustainable, this has can be seen as an incentive to do well on the academic delivery. As one senior manager points out, programmes that are popular will recruit more students, will generated more income and will, therefore, bring more money to the university.

The legitimacy usage of budgeting is driven from the top, which also reflects the domination of those at the top of the university, as they hold the resources and therefore the power to require legitimation from heads of Schools and budget holders.

Although heads of schools and senior managers seem to agree on the fact that budgeting is an award and punishment mechanism and is used to monitor the performance of schools, their perspectives and views on the system are different. On one hand, the senior management consider the current system is working and that is the way to go. On the other hand, there are the Heads of Schools who think the system has to change and there should be a focus on the positive and supportive aspects of budgeting. This divergence in opinions creates a gap that is also creating tension as it was mentioned earlier in the chapter.

5.4.3. Signification as a structural property of budgeting

It is suggested in the theoretical framework that budgeting has signification properties, whereby, the process involves interpretive schemes that lead to communication. The budgetary process as a social system does involve reading signs and interpreting them which ultimately makes the budgetary process a mean for communication and signification. However, from the case of Magnolia, it seems that not everyone agrees on the communicative aspect of budgeting. These findings are in line with those by Pettersen and Solstad (2007) who found that accounting information, generated through budgets, in two Norwegian universities is mainly used for control purposes rather than used to make the process interactive.

Throughout the budgetary process signs are produced and reproduced creating meaning through interpretation. Budgets, as artefacts, are used to send signals to university members at the intra-organisational level, or at the inter-organisational level, notable to HEFCE. One senior manager has acknowledged the signalling properties of budgets by stating that:

“Budgets give out signals and I think we all know that when we form or create budgets we are giving signals...” (SM2).

All senior managers have acknowledged the signalling aspects of budgeting but one senior manager has questioned whether signalling is done explicitly or not. This, in fact, reinforces Giddens's (1979, 1984) argument about the abstract nature of the structure, where the interpretive schemes enabled through budgeting only exist as memory traces. Budgets are used at Magnolia as medium for communication between the schools and the centre and vice-versa, which makes this a two-way relationship.

5.4.3.1. From the centre to the Schools

The communicative aspect of budgeting is tacit in the sense that when senior managers allocate a certain level of resources to schools and departments, that conveys an implicit message. It has been acknowledged by many senior managers, that the budgets reflect the priorities of the university, in the sense that areas of interest (representing growth potential and link with the vision and strategy) get increasing levels of resources. As one senior manager argues:

“... I look at the increase in the budget line from last year, there’s clearly a strategic decision to put more there than there was last year.” (SM2)

Before starting to construct the budget, senior managers as well as budget holders have to think about their priorities. The funding will follow the areas where the senior managers have interest. One senior manager has indeed explained that:

“in order to be able to budget you first of all need to be able to have an understanding of what your priorities are for the year; what would you like to achieve, what do you need to achieve and then it’s how much has to be put against each of those and what you’ve got to spend and got to achieve that’s got to be allocated for ... taken out of the allocation first of all and then what you might like to achieve you’ve got to see what’s left in the pot and then how might you realise that.” (SM3)

Therefore, the budgetary process is intentional and involves decisions made by knowledgeable agents. In the case of Magnolia, resources are allocated with strategy in mind as it seems from the statement above. Nevertheless, one particular Head of School highlighted that keeping the signalling side of budgeting tacit is encouraged than making it explicit:

“... saying it is a very dangerous thing to do because also if once you go down that route it stops people from wanting to change... so I think you have to encourage people.” (HoS4)

Signalling from the centre down is more tacit, especially as the budgets do not seem to be talked about openly as one Head of School mentioned when he very recently realised that the amount he gets for support staff is less than another school who has less academic staff. Another Head of School has also mentioned that the budgetary process as it is, does not “speak to people” and that there is no communication around the budget, not talked about openly in meetings and staff days, which the Head of School suggests should be the case. These findings are in line with the those of Angluin and Scapens (2000), who found that universities with an opaque resource allocation system tend not to communicate about it openly, which creates a feeling of unfairness among their members. Nevertheless, the communicative aspect of budgeting is much more explicit when it comes to the bottom-up relationship.

5.4.3.2. From the School to the top

At the time of strategic change, budgets have provided a great insight on how the university has been managed for years, which financial accounts would not provide in such detail. Budgets have been used by the new top management to identify what was going on at the university, not only financially but also areas of priority of the previous Vice Chancellor, areas of strength and weakness. Budgets provided a map and locked historical information that proved to be valuable to the new management in developing their new strategy. One senior manager explains how budgets were particularly helpful during the transition period:

“I mean one can say first of all is helping us to understand what is the university doing already, so the analysis of budget lines has been an incredibly important part of the heavy digging to get to the facts of what we’re actually doing as a university, so that’s really important.” (SM2)

In the literature, studies have examined the use of accounting information by managers in building a new strategy (Jrgensen and Messner, 2010), as a basis for discussion among managers (Ahrens, 1997; McKinnon and Burns, 1992) and as tool that helps managers to make an informed decision (Preston, 1986). However, none of these studies have examined the use of budgetary information specifically, nor how it is used by other internal stakeholders. This study, provides an in depth understanding of how budgetary information is perceived and used by the top managers and budget holders at a Magnolia.

Budgets are a reflection of the thinking of the those who set them as HoS1 has mentioned, which translates in placing substantial amount of funding towards activities that are regarded as a priority: “The budget is a reflection of my thinking where the priorities will be and so on...” (HoS1). This statement is particularly important as it demonstrates the influence of the knowledgeable agent on the structure of signification (Giddens, 1979, 1984).

In addition to the initial diagnostic use of budgets by the new senior managers, budgeting is constantly used in the running of the university. The budgets submitted by Deans and Head of Schools are revealing of how the faculty or the School are doing. This highlights how important it is to hit the budget or even underspend as it conveys a message on how well the entity is run which also brings with it reward and punishment as discussed previously in this chapter. One Dean in particular has highlighted how important is budgets in signalling to the centre:

“So if you like the budget that I supply to the university has a slightly different status to the budget that Heads of School supply to me because the bottom right hand corner of that thing is the one that determines how well both I and the faculty are perceived, which has all sorts of indirect influences through the strategy and through the capital schemes and so on.” (SM5)

Many interviewees have agreed that the budgets do “send messages to the centre” which is quite revealing of the nature of budgeting as a social system, but also how judgement is made through what is considered to be a technical tool by some, notably a number of management accountants interviewed. Some interviewees, mostly budget holders, have argued against the budgetary process being communicative, they actually refer to participation and having the final say in how much they get, having greater autonomy on how much they spend, where and when they spend it. Nevertheless, budgeting is interactive, maybe not in the participative sense, but still involves active interaction between agents and between agents and the structural properties of the system.

The sanctioning property of budgeting combined with its communicative nature are brilliantly highlighted by one Head of School, who argues that it is very important to send the right message to the centre, even if that means having large underspending:

“I never want to see a loss on our figures and I would rather have a larger underspend rather than a small overspend and that’s partly because I think it’s about the message you send to the centre about how you’re running places; sometimes the surpluses have been too big don’t get me wrong and I don’t like that either but I think that’s incredibly important.” (HoS4)

This statement also brings back the point made earlier about the rationale of having budgets in the first instance if there is no threat to overspending. However, the ability of schools to underspend by large amounts should be looked at carefully, as Hofstede

(1968) suggested that when standards are set, they need to be at the same time very tight while achievable and having easily achievable targets defies the purpose.

5.5. The rise of importance of the budgetary process

In this study, budgeting is found to have changed in the way it is deployed to drive the strategic change at Magnolia. The findings from this study are original as it has examined in depth budgetary change as a social system that is producing and reproducing over time and space. The previous studies have all focused on budgeting change from a technical perspective rather than how it has changed as a social system. For instance, the introduction of new budgetary systems has been extensively studied in the literature, and although most of the studies have used either Institutional Theory, Structuration Theory or a multi-theory framework and called their findings to be of a social nature, they have mostly focused on why new budgetary systems are introduced to organisations (Ouibrahim and Scapens, 1989, Ezzamel et al., 2012, , how they are introduced, whether the new systems have been successful or not and why it is the case (Scapens and Roberts, 1993, Moll and Hoque, 2011, Granlund, 2001, Granlund, 2003). A few papers have also looked at the role of budgeting as a social system (Macintosh and Scapens, 1990, Scapens and Roberts, 1993)and these have mainly used Structuration Theory to guide their studies; however, they did not apply the structuration theory in such depth. It is argued here, that Magnolia proved to be a very useful example of how budgeting is in fact a social system, that produces and reproduces over time - over two years – through a constant interaction between the agents involved in the budgetary process and its structural properties.

Some of the interviewees has mentioned that budgets without the power disparities which lead to budgets becoming control mechanisms, budgets are not useful anymore:

“Now if you go to devolve the budget then the danger is it just becomes a façade...” (SM2)

At the same time one Senior Manager has mentioned how budgets become “completely pointless” (SM5) if there is no threat, which is in line with Hofstede’s (1968) idea of standards. He argues that “In order for a standard to function as a standard for achievement it should be tight, so tight that there is real risk of it not being attained... On the other hand, it appears that standards which are so tight that they are seen as impossible destroy motivation”. (p. 4).

5.6. The different conjuncturely- specific internal structures

It can be noted from the findings that there are mainly two views about the role of the budgeting at the university, the view of the senior managers, which is also echoed by the management accountants, and that of the budget holders. These differences can be explained through the analysis of the conjuncturely-specific internal structures that the role has revealed. These conjuncturely-specific internal structures are what agents draw upon when they are making sense of their environment and are constituted of the norms, interpretative schemes and the power positions that come with the job these agents in-focus (heads of school) are occupying and also affect how they perceive the agents in-context (Senior executives).

5.7. Summary

This chapter has presented an extensive discussion of the findings in the light of previous literature and suggested theoretical framework in chapter 2. It can be said that the study of budgeting as a social system at Magnolia has revealed its complexity, diversity and multifaceted nature. Budgeting involves interaction, becomes a source of power and domination, enabling the action of some, while constraining the actions of others. Budgeting represents a media for communication, or at times the lack of it. It also represents a mean by which agents seek legitimation of their actions vis-a-vis other agents involved in the social system. Through the case studies of Hopwood (1987), accounting was clearly the answer for a better managed organisation, especially at times of crisis. The case of Magnolia, or indeed other English universities, demonstrates that the rise of budgeting as a control mechanism, performance management and accountability tool, as well as a diagnostic and signalling device at a time of change, contributes to the understanding of how budgeting as a social system evolves over times.

Although, there might be other theories that can explain the role of budgeting in an organisation subject to change, it is argued here that the theoretical framework suggested in chapter two, which is based on Structuration and its developed version of strong structuration theory provides an in-depth understanding of the complex and dynamic nature of budgeting as a social system.

This study has unravelled the complex nature of budgeting in society. Budgeting is much more complex and is used by different agents in-focus and agents in-situ in various and multiple ways. Referring to budgeting as a control or resource allocation

process is an understatement of the capacities and uses of budgeting in organisations and society. The power, legitimation and communication properties of budgets are strongly intertwined and deeply entrenched in the fabric of organisations and individuals' actions. Ferreira and Otley's (2009, p.264) definition of performance management systems which they argue "...are the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change". This definition was suggested in chapter 2 captures the complexity of budgeting. It has been demonstrated in this study that at least in the context of Magnolia, budgeting is at the same time the formal artefact used for planning and decision making but more importantly budgeting is a process and network of people coming together from different academic and professional backgrounds, interacting with each other, making decisions formally and informally, and having decisions made about them in the quest for the achievement of the new strategy and vision.

It can be concluded from the findings and from the review of previous literature, that Budgeting has structural properties in the form of domination, signification and legitimation, which this study also confirms. There is nothing new about this finding, except that it reinforces the validity of structuration as a theory to study management accounting and budgeting in particular. However, this study has found a subtler aspect of the structural properties of budgeting, which is that these structural properties themselves are subject to change over time – and the researcher would make an assumption that these change in space as well, however, this will remain an

assumption as the current case is done in one particular organisation in one geographic area. Management accounting change does not have to be in the form of introducing a new software, system or even a new method, it is about the rise and fall of certain structural properties over the others and how budgeting is used and perceived in its social context. A pattern has been noted by the research in previous studies, where situations of crisis or strategic change have happened. That pattern is that domination and legitimation take an edge over signification, where power becomes more apparent and the need for legitimating actions – or not – becomes more important than ever before and where budgeting is used to facilitate and constraint these actions.

On the other hand, the conjuncturally-specific internal structures combined with the meso and micro level external structures and the structural properties of budgeting (legitimation, domination and communication) all link together. The agents also draw on their internal structures that affect their level of agency in perceiving budgeting the way they do. Budgeting as a process is now changing as a result of structuration, the power position of the senior managers in implementing changes faced with the low level of agency on behalf of the agents in-focus (heads of school. The change in the budgetary process is more of a social change than a technical change. It is important to highlight the structural properties of budgeting have been affected as part of a structuration process than will continue to evolve when there is perhaps a new vice chancellor or agents in-focus who are able to collectively push back and change the outcomes of structuration that will perhaps be again revealed in the way budgeting is used and perceived.

One of the criticisms of public sector accounting research is that by seeking theoretical complexity, it risks losing practical relevance (Anessi-Pessina *et al.*, 2016; Goddard, 2010; Van Helden and Northcott, 2010). This study has achieved both the development of a strong theoretical framework and a number of potential practical contributions. Although the findings from this study and in the context of an English Higher Education institution, the theoretical framework should be applicable to organisations in all sectors and to both commercial and not-for-profit organisations.

The next chapter will review the contributions that this research is making to the management accounting literature, specifically budgeting in English higher education institutions. The potential practical contributions as well as the limitations of this research will also be discussed in the next chapter, alongside a summary of the thesis.

6. Chapter Six: Conclusion

6.1. Introduction

This final chapter of this thesis is devoted to providing a summary of each of the previous chapters. More importantly, this chapter will discuss the five main contributions this study made to theory and one potential practical contribution. Finally, the limitations of this study are going to be highlighted followed by suggested future research.

6.2. Summary of the study

This thesis started off with setting the background of the research, by discussing the recent developments in the UK Higher Education sector and more specifically the English one. The sector has witnessed major change since the funding cuts were announced in 2010, which had a significant impact on universities, notably a focus on Efficiency and Effectiveness. Magnolia is one of the universities affected and had started its journey towards efficiency in 2010. However, the radical change only happened in 2012 when a new Vice Chancellor was appointed. In addition to the contextual setting of the study, Chapter one has also identified the research gaps that are going to be addressed. Five gaps were identified, based on which, the research aim and objectives, as well as the research questions, have been developed. The chapter, then, suggested the research propositions that are going to be assessed below.

A review of the literature on budgeting with a focus on public sector and higher education institutions was then given in Chapter Two. In addition to that a review of Structuration Theory (Giddens, 1979, 1984), strong structuration theory (Stones, 2005) and Institutional theory (Alford and Friedland, 1991, Thornton et al., 2012) has also been provided. The chapter started off by stressing the importance of studying budgeting in its context (Hopwood, 1985, 1987), highlighting the role of New Public Management, change in the top management, and external institutional pressures in general, in the budgetary change. Moreover, the chapter then identified the different roles of budgeting as they have appeared in the literature. Many studies have focused on one role of budgeting at the time, which presented a limited and narrow view. This is particularly the case of studies that do not rely on a theoretical framework but also those that used New Institutional theory which mainly focused on external legitimacy. However, the studies that used Structuration Theory have captured the multifaceted nature of budgeting. The literature revealed that budgeting is perceived as a tool for external accountability and legitimacy, control of resources and domination, and communication in the form of a language. The second part of the chapter reviewed and extensively discussed Institutional theory with a focus on Institutional Logics as well as Structuration theory and their application in management accounting studies. The chapter then concludes with suggesting the use of Strong Structuration Theory to study the evolution of budgeting suggesting that budgeting is a social system that involves the existence of human agents and has structural properties. The production and reproduction of budgeting happen in a time-space intersection and is done through a constant interaction between the agents and structural properties. The latter are at the same time enabling and constraining, influencing and being influenced by the actions of the knowledgeable agents. Budgeting is also subject to the effect of the

overall external macro and meso level external structures as well as the agents' in-focus and agents in-context internal structural properties.

The Third Chapter provided a discussion on the methodological standing of this study. The philosophical underpinning of the study was established as interpretivism, and it was demonstrated how this links with the theoretical framework suggested in the preceding chapter. Next, the research strategy adopted was discussed, providing a justification for the use of a single embedded case study. The chapter also defends the choice of the qualitative data collection and data analysis methods as the most appropriate to achieve the current research's aim and objectives.

Chapter 4 presented the findings from this study. The manner by which these results have been put forward was guided by the theoretical framework developed in Chapter 2. Therefore, the chapter started off by identifying, from the data, the institutional and contextual environment of the English Higher Education sector in general. Then moved to identifying the specific events that have been happening at Magnolia since 2012 and which are relevant to the study of budgeting. This was followed by an identification of the roles played by budgeting within Magnolia and the way it is used by the internal stakeholders. The findings chapter consisted of an extensive use of direct quotations, following the data analysis, from the various sources of evidence to ensure a credible and unbiased representation of the case study. This was then interpreted and discussed further in Chapter 5.

Chapter 5 provided an extensive discussion of the findings from the case study in the light of the theoretical framework and literature reviewed in Chapter 2. A number of points have been made in the discussion chapter about budgeting at Magnolia. First, the shift in the overall orientation of Magnolia from Profession to a combination of

Profession, Corporation and Market, has had a significant impact on budgeting, triggering change. Budgeting became the channel through which, the external macro structural pressures made by centralising the process, making it less participative and more bureaucratic. The second point made was that budgeting at Magnolia is indeed a social system that is composed of both knowledgeable agents and structures. The budget holders (Heads of School, Heads of professional services, deans), management accountants and the senior managers (Vice Chancellor, Pro-Vice Chancellors, Head of Strategy) are considered to be the agents involved in the budgetary process. These agents are in constant interaction with the structural properties of budgeting: domination, legitimation, signification, which leads to a reproduction of the social system (budgeting). However, the way these agents influence and are influenced by the structural properties of budgeting differs depending on their conjuncturally-specific at Magnolia as well as their general-dispositional internal structures and the level of their active agency.

The theoretical framework seems to have brought more clarity to the role that budgeting plays in the change process of Magnolia. It has captured the complex dynamics of budgeting and enabled emphasising the context in which budgeting is situated in time and space. This framework has also enabled carrying a multiple level analysis of budgeting, which is missing from the previous literature. The research contributions and limitations are discussed in the next section.

6.3. Limitations of the study

This research is not without limitations. First, although this research was conducted over a period of three years, and has successfully addressed the research gaps identified in the Introduction, it has not been able to see the impact of the change in the budgetary process after the full restructuring of Magnolia has taken place, however, this was not the intended purpose of the researcher. Instead, the researcher was interested in capturing structuration processes in motion.

Second, this research is a single case embedded study and therefore the scope of generalisations is limited. The fact that the study is conducted in one English university may have its methodological limitations, in particular in terms of claiming generalisability. However, the nature of the topic covered and the researcher's philosophical standing do not consider generalisation from the results the aim of such research. Instead, it is the achievement of an in-depth understanding of the phenomenon studied in its context.

Nevertheless, the application of the theoretical framework in one case study does not provide an insight on the framework's ability to generate in depth understanding of budgeting. This could be tested through future research below.

Third, the study of agency has been limited in this study as more could be explored in future studies on the role of agency in the structuration process and this was due to the length of the study and restriction of conducting the research as part of limited PhD period.

The fourth limitation is that the signification structure of budgeting has not been fully understood through this study, as the primary focus was to extract the multiple roles of budgeting rather than focus on one at a time. It seems that the communication aspect of budgeting is the area that proved to be the most divisive. This study has raised more questions about the communicative role of budgeting, especially as most management accountants do not see budgeting to be communicative, and the warnings some participants made about the danger of considering budgets as a reflection of priorities and as signalling tools.

The limitations of this study are considered to be exciting opportunities for future research.

6.4. Future research

The findings from this study have answered the research questions set out in Chapter One, however, they have also opened up more opportunities for future research. The first project consists of a follow up study of Magnolia, establishing how has budgeting been changed since the last data collection. Following up on the same case study will be more beneficial in providing an understanding of how budgeting's structural properties evolve over time, notable times of change and relative stability.

The second potential research is to design experiments that will allow an understanding of how budgeting is perceived from a communication perspective and establish why management accountants in particular do not accept the communicative aspects of it. An experiment would allow a close monitoring an understanding of the factors that influence the view that budgeting is not communicative and that a spreadsheet does not communicate. Such study could primarily focus on management

accountants and budget holders. It will also most importantly allow for a much better understanding of active agency in the structuration process.

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Appendices

1. Interview protocol

Social Environmental Change (Financialisation)

1. How do you perceive the impact of the change in the HE sector on the university?
 - a. What was the impact on student recruitment policy, internationalisation and research)?
 - b. What was the impact on the business model of the university (Corporation or not for profit)?
 - c. What are the current main sources of income (student fees, research, international etc) and how these might be changed in the future?
 - d. Have you considered other sources of finance than those obtained from the government? Have you ever imagined that the University will be privatised in the future like Harvard, Yale?
2. How do you think about “sustainable development”? How do you think the university is doing in terms of sustainable development?
 - e. What do you think about the university’s vision, mission and strategy?
 - f. How do you think the Strategy can facilitate sustainable development in next 5-10 years? (Research intensive, teaching intensive, or internationalisation. Which one is the most important or the priority for the University?
 - g. Who are the University’s key competitors, both within UK and internationally? Why?

Institutional Change (Structures and Systems)

1. How do you perceive the institutional change (e.g. school restructuring, information systems change) within the University? What are the key drivers of the change (internal or external)? What are the motivations behind the institutional change? Who is driving the change?
 - a. To what extent do you think the change can facilitate sustainable development of the University?

- b. How the change is implemented across the University/schools/departments?
Through which channel?
2. What are the key obstacles of the change and how can they be overcome?
 - a. What do you perceive are the key factors for successful institutional change (e.g. stakeholder engagement)?

Accounting Change (Social Agents' Power and Control)

1. What are the processes and criteria of allocating resources among schools/departments/faculties, and between research and teaching activities (e.g. recruitment of research or teaching staff)? Any conflicts of interests? Any conflicts between Schools? Any resistance to the allocation system? Who is it driven by?
2. How do you communicate, coordinate and motivate schools and faculties to manage and control the budgets?
 - a. How do you see the benefits of collaboration between schools with respect to resource sharing?
 - b. What mechanisms have been used to measure school's performance in terms of managing budgets (deficit or surplus)?
3. How do you perceive the change in budgetary system in the past few years?
 - a. Why do you think the reasons behind the change in the budgetary system?
 - b. How do you perceive budgeting as a tool, which can be used to centralise/decentralise the control within the University?
 - c. Are the budgetary processes participative or centralised?
 - d. What do you think is the role of budgeting in the university's change process?

2. Sample Interview

[general chatter]

F1 Thank you very much for accepting ...

M1 My pleasure.

F1 ... to give me your time and help. My questions will be in three sections, so the first one would be about the tenders in the environment of higher education in general and then I'll move on into the changes happening within the university and then I'll move on into more specifically budgeting matters.

M1 Of course. That's a good structure.

F1 Okay, so the first one is how do you perceive the impact of the change in the higher education sector on the university?

M1 I've used the phrase in public that universities are being subject to what 1970s neo-liberal economists called shock therapy and I think it's actually quite a good description because if you look at the number of changes impacting in all of this and all universities the removal of student number controls or caps, the removal pretty well of direct State funding for teaching because students having to pay for it, the shift of [unclear 0:01:26] from the State to the individual to pay for their education, greater concentration of research funding and potential threats to the future of research funding. These are just UK factors that are impacting on the sector. Look at in the global context of the rising university economies, parts of the world where you have seen almost from nothing major international universities emerge and that's having a

huge effect. So I think it's a combination of the domestic effects and the international effects that really do make me think this feels like shock therapy.

F1 Okay, thank you very much. So all these changes that are happening to the environment of the university, how did they impact the university? For instance the different activities that the university's undergoing, the student recruitment for instance, the need to be more international, and so on. So how do you see that impact?

M1 I think many people in this university and other universities in the UK knew that things were changing. We didn't quite know how from the period say from about 2004/2005 onwards, so I think you began to see universities think about their forward strategy and one of the big themes for this university – before I arrived so I take no credit for this – was thinking about diversification of income. So in other words, not being entirely reliant on the home or EU undergraduate market. So thinking about growing international student recruitment, thinking about overseas campus, or campuses in our case, thinking about using land assets to generate new sources of income. So that sense of diversification of income was a big factor. I think all universities – and I think here we were a bit slower, this is what we're doing now, but other universities looked at their cost base in the latter part of the first decade of the 21st century so you saw some responses and reactions. So I think universities even ahead of ... let's take 2012 as a significant point of all these changes really kicking in; I think quite a lot of universities had been thinking about changing or adapting what they were doing in the light of perceived threats. Now of course what's happened since 2012 is that that's just all accelerated, you know, greater and more aggressive

marketing and competition for students, universities being more assertive about where their research priorities lie, overseas expansion, aggressive recruitment overseas for students to come to the UK. So yeah, 2012 everything has really accelerated, but I think we saw universities – this one included – beginning to react probably from that 2004, 5, 6 period onwards.

F1 Okay and you've mentioned diversification of income. Could you please emphasise a little bit on that?

M1 Sure. I suppose for most domestic universities in the UK undergraduate recruitment was the bread and butter of income and when numbers were controlled it was actually a guaranteed source of income, so when you had number controls you could say well okay we might not be at this, we might not be at that but we know we've got a guaranteed source of income from students and actually that will pay for a large part of the business of the university. As soon as you loosen, or by 2015, take those controls away, you've got a much more volatile market so you've not got the guarantee of the numbers. So from the diversification point of view the university felt that it needed to increase the recruitment of international students where numbers were already unconstrained so you could recruit as many as you liked and that's clearly a big strategy that took off in the latter part of the [unclear 0:05:46] as it were, first part of the 21st century and of course already with the acquisition of the Business School then it was a great opportunity to develop the international market, given school brand strength, so you saw greater diversification on the international front. I think the university was also far-sighted in recognising that maybe we should be taking good quality education to other places rather than expecting students from other places to

come here, hence the opening of a new campus in Malaysia for the university in 2015, the activities of business school that are overseas, so again you've got another diversification of income. This university has been very fortunate to have a number of land assets which are essentially non-operational; we don't need them, so what we've been trying to do over the last two or three years and certainly it's accelerated over the last couple of years, is dispose of the land and that's great because that diversifies your income, it gives you both capital to spend on big projects or to pay down debt, but it also if you invest it wisely gives you another source of income. I mean one example of that would be our science and technology park that we are hoping to develop. That is a genuine long term investment; it may be 25 years before that fully realises everything that we'd want from it, but that again is about developing streams of unencumbered income so not streams of income that are dependent on the volatility of student numbers but others that are more secure sources of income, notwithstanding what happens in the wider economy. So these are just examples of ways in which we have moved out from the core reliance on undergraduate income to draw in other sources of income.

F1 Okay, thank you very much. So you have mentioned that we have a lot of land, but do you think that this will be sustainable, the income from selling land?

M1 Well it's very interesting that. I feel ... that's quite interesting about management leadership issue. I feel the weight of stewardship quite heavily on my shoulders and with that I mean that I have been the beneficiary of this generation of university leaders, or the beneficiaries of great investment decisions that were made in the past, that allow us to be sitting here saying isn't this wonderful; we can dispose of the land and we can either generate capital or new revenue. Part of my stewardship

responsibility is not to sell off all of the family silver, as it were. So part of what I'm thinking about is, how do I build sustainability in and how do I pass on an inheritance to my successor, or my successor's successor. So you're right; if you sell it off now you get a one-off benefit. It could be a very large one-off benefit but it's a one-off benefit. So we need to get that balance right and I think it is an interesting investment question between spending your money to do what we need to do now – and I say now, the next say one, three, five years – on the one hand, but on the other hand of the balance make sure that we've got strength sustainability, if you will, for the long term. And I do feel that as a quite personal responsibility; I don't want people sort of 25 years from now saying who was that idiot who was in charge in 2014; he squandered a wonderful inheritance. I don't want to be remembered for squandering a wonderful inheritance.

F1 Thank you. If we look at the impact on the university's business model, so has there been a change in the way universities operate after the different changes in the environment?

M1 Well let's go back to cost reduction in a moment or two; let's just leave that to the side. But I think the best answer to that question is the business model is now not reliant pretty well exclusively on one source of income i.e. the home undergraduate students. So right away you've got a different kind of business model and of course you've got then to, as it were, managing the risk because home undergraduates now is a risky business because it's unconstrained competition because international student competition, or international student numbers, is subject to competitive risks in other words will other universities get your students from other countries but there's also global volatility so when you're recruiting students from overseas how stable will

that be? I dunno, we've seen some examples of that relatively recently with change in political situation say in Egypt, or Syria, or wherever, you get volatility and income that you thought was coming has not come. We're quite independent in the business school particularly on China and Chinese students so you have to manage the risks. So I think another aspect of change to the business model is that we are managing greater risk than we ever had to manage before and that you might say is just inherently more volatile. Of course it is – more risks, more volatility.

F1 Yes. And how about for instance now that the university is reliant on raising its own income. So do you think that the charitable status is still valid for today's universities?

M1 Yes, I think it is. I mean we've got, as you know, the emergence of new for-profit universities. It's a small scale dimension of the UK system. My own personal view is that it probably won't expand too substantially and it's likely only to be in specific areas, so you've got the College of Law and you've got the College of Finance and Business, so they are single discipline pretty well. I find it hard to imagine that for-profit comprehensive universities would emerge; in other words a university offering 20 or 30 subjects. I don't really think the charitable dimension is a significant issue. I feel ... first and foremost I like to think where we are, I am, we're in an educational institution and that's the driver. But I am also, it feels to me, running a major business and the charitable bit of it is only an issue for me in so far as it represents that great charitable aim of education and it also means that we don't generate a profit for shareholders. As far as everything else is concerned it does feel like running a business because it is. I mean 220m turnover, all the risks that we've talked about,

investment decisions for the future, carrying a major property portfolio, invested overseas. That's the danger of most modern businesses isn't it?

F1 It is, yeah. And do you think that this has been the case before the changes, or this is something that is emerging now more than before?

M1 I'd describe it as evolution in that universities have always had to manage their finances in a business-like way. But that much more obvious and overt competition between universities, diversification we've talked about, cutting costs, that feels as if that's been a much more recent phenomenon but I can't say oh on the 31st of August 2005 it changed. You can't be as specific as that. But you can certainly see a trend I think from the latter part of the 20th century, early part of the 21st century, then it accelerated and then 2012 accelerating further.

F1 Okay, thank you. If I ask you about what do you think about sustainable development, or sustainability, what is your perception on that? How the university's doing in terms of sustainability as well?

M1 We might want to just check terms. I mean sustainability has got a number of meanings. In my view it's had ... I think of it in two ways; I think of what might appear as slightly narrower way, which is sustainability often has a fund of environmental sustainability, that's a narrow definition. For me sustainability is about being able to manage the business – in our case the university – for the long term so that we're able to continue to achieve our aims, principally of course to do teaching and research. Now it's not very sophisticated to say you generate a sustainable business by keeping your costs under control and seeking to grow into new areas of business if you can and I think that's a pretty good description of where we are at the moment. We need

to reduce our costs and we're in a process of doing so, but at the same time we're making growth decisions for the future. The issue, which is classic, is a classic sort of business-school dilemma, is that you often have to cut the costs first to give you the headroom to make the growth and then of course you've got all the turbulence of cutting costs ahead of getting the return on the growth and that feels like that, so I'll give you two very obvious examples. We are going to introduce new disciplines; architecture and Spanish. They will cost us money until we start generating enough students for that to generate return to the university. That's one example. We're thinking about a new partnership with the Nanjing University of Information, Sciences and Technology; that's got some great potential, but that's got costs to begin with. So generating return and growth strategy is not always something you get immediately, but you need to be able to get over time the business cost base in the right place and growing the activities of the business so that you are growing overall and then it seems to be you move into that phase of feeling that the business is sustainable. But there must be many businesses that are now casebook, textbook examples in business schools where they used to be successful and they've disappeared off the face of the map because it's hard to think of any business nowadays that can guarantee its sustainability into the future, so you're always looking over your shoulder thinking what's coming next.

F1 Yes. And if we look at the strategy, the new strategy vision and mission, how is it implemented or is it in line with the sustainability?

M1 Yes. I think I'd put it the other way around in the sense that I think you need a strategy to become sustainable and I think that is important because in both deciding to what to do about your costs as well as identifying what you do about your potential

growth, you have to have a strategy. You have to know where you're going and I think whilst a strategy can never be an absolutely detailed blueprint, I think of a strategy more as a road map that points you in the general direction of where you're going, gives you an indication of what you need to do to get there but you have to be prepared that you might make some detours along the way and I think that's where we are, so we've got some good themes emerging on one big theme on securing and sustaining societies around the research themes that'll help to drive the university forward. We've got the theme around educating for 21st century lives, about the teaching and learning and education portfolio we offer and then the theme of applying policy and practice and we bring our activities here to influence the real world. So those are important themes that are underpinned by financial sustainability, academic excellence and so on and again in all the activities that you're doing, you're trying to build that sustainable business and then you're trying to, it seems to me, on a both a strategic and at the tactical level, make decisions that you think are going to be consistent with that strategy. Because if you think the strategy's right that's the way in which you're going to become more sustainable in the future so you need to make your decisions in accordance with the strategy that you've got.

F1 Okay and if we talk about the priority, the main priority of the university, what would it be?

M1 That's a very hard question to answer because universities if you say well what's the main single priority, I'm left to come back to in a sense the question you asked me, the main priority is to be a sustainable educational institution so we can carry on doing great teaching and research. That's got to be the [unclear 0:19:47] aim. The problem is for universities is they've got a multiplicity of different objectives, it

depends on what terminology you use, but it's all designed to make it sustainable. If we believe that what this university does is important, we need to build a business model that will make it sustainable so we can carry on doing what we really need to do, which is teaching and research.

F1 Thank you. So if we look at the implementation of the strategy, it is going to bring changes in all sorts of departments and areas within the university. So how is it going to be implemented, the strategy?

M1 I mean you've got ... if we think about the strategy – and this is kind of a simplistic way of thinking about it but it's probably quite helpful for the purposes of the discussion – there's an element of the strategy which is to try to reduce our costs and there's an element which is about growing the business. If we take the reduction of costs, our principal has been that the evidence suggests that we have got a higher cost base than other universities and then what you have to do is to drill down beneath that to say right let's find the main areas where we think that maybe that cost problem compared to other universities and essentially what we've done is we've identified particular strands of the organisation, you know everything from IT to procurement professional support, to the services we provide and so on and we're doing really very detailed work which is essentially where you know this jargon the kind of end to end processing, what is it, what are the different steps along the way, where is the cost being added, where can you take out cost, where's the duplication, where can you remove duplication, where does an IT solution help you, etcetera, etcetera. So to answer your question about implementation and cost reduction, some of that is right at the micro level of detail. You need to understand almost the sort of the plumbing of the university, if I can put it that way, you need to know how everything works and

where you can eliminate cost and generate efficiency and hopefully greater effectiveness. And that's gonna be tough. I mean I've not shied away from that, I've not said anything other than this is likely to mean that we'll have fewer people working for us [unclear 0:22:20] for greater growth in the future, there's no point in denying that because that's where the costs usually reside. We're going to have to make changes in a way in which we utilise or rely on IT and good systems because that has to happen and there will be a cultural change that we don't have things that are necessarily gold-plated in the way that they have been, we have to have simpler and more effective systems. So that's quite a changed journey and we're only in the first year of that so we've got to stick with it, we've got to recognise it's gonna be tough along the way. So it is really down to detailed implementation. If you think of the other side of the strategy, growing the business, what we're doing at the moment is identifying areas which do offer us potential for growth so hence I've talked about new disciplines where we might have growth, reviews we've done of English and history as academic disciplines, big potential pool of students, we're not recruiting enough so we need to get more of them so we're doing work on that. The newest example in China, building a new international strategy for that particular part of the world, English language teaching that's a big one. Lots of examples of what I describe as growth projects. Unfortunately, going back to an earlier point, none of them generate an immediate return, so again got to hold your nerve, cutting costs that's tough, at the same time you're investing in growth, you're not getting the return, you've just got to hold your nerve and there's almost a ... I call it partly based on my government experience, we're in the phase of post-announcement pre-delivery. So in other words we've announced what we're going to do but we haven't yet delivered it. And that's quite an edgy place to be because you know you've started other things and you've announced

what you're going to do but you haven't quite yet returned on them or delivered on them and that's when you need people to hold their nerve and say this is the right thing we're doing, it's the right strategy and we've got to see it through.

F1 Okay and how about the successful change of process? What do you think are the key elements to successful change or transition process?

M1 You can be of course fluffy about this and say well a really good chain [unclear 0:24:57] already feels good about themselves. Actually you've got to have a really hard metric which is your question; is the university more sustainable now at the end of the change process than it was at the beginning. That's got to be the measure so in my view, have we cut costs, have we grown the university's activities and do we now are we generating regular surplus to allow us to invest in and for me that's the metric; will we have more headroom by generating bigger surpluses year on year to reinvest. Now I'm not ignoring what I've slightly rudely called the fluffy side of it. I would hope that the change that gets us to that sustainable position I've described can be done in a way that gauges people, that makes them feel that they've been treated in a reasonable manner, that allows them to bring their voice and ideas to the process. So I want the change to be done in a way that is just not brutal, but I'm not naïve. I've done enough change programmes to know that you cannot keep everyone happy and some people will be hopped because actually if jobs are at risk people feel vulnerable and threatened and upset and I think the task is not to wish away that and think oh well it'll never happen; it will happen. Fact of life. It will happen. So the question is how do you alleviate some of the hardest parts of going through a change programme. But the way I always describe it is to say to people what's the alternative if we don't do this. What's the alternative? We've got too high a cost base, we need to grow

what we're doing, if we don't do this then what? And that's a good question to pose in the middle of a change programme. Okay you don't like this; you tell me what you would do differently.

F1 Thank you. If we talk about the obstacle to change so far. I mean probably we've covered some of them. What do you think?

M1 Do human beings like change or not like change. We often say that people don't like change. Some people don't like change, some people do and I actually think quite interesting the experience that I've seen here is similar to what I've seen elsewhere; you get some people who are very anxious and upset, people who even try to be blockers and obstruct, but you get some people who just feel liberated by the prospect of change because they see ambition, they see a great future, they see the chance to make a difference and all of that. So you should never just say oh people are the obstacle. People can be an obstacle as you're bringing out change, but people also are the solution and the more people you get behind you in a change programme the better it is. I've always been influenced, not driven by it, but I've always thought that John Kotter's work on obstacles to change is very good, you know why change doesn't happen and he wrote a seminal Harvard Business School review article on it and it's good common sense and I often look at that article, not because it's some sort of spiritual text, but I look at it and think yeah okay he said you need to build the guiding coalition; who is the guiding coalition that's gonna drive our programme. So there's lots of things that are a good checklist of other things. Then you have practical obstacles, the IT systems, it takes longer to implement. Then sometimes you get what I would call extreme events so you're in the middle of your change for progress and something else happens from outside and knocks you off. And then there's a really

important part that people often forget to the change programme; most people in a change programme are also doing their day job and there's a really big ask people make when they're implementing a change programme, or asking people to go through a change programme, because very rarely do you say just leave behind everything else you've been doing and concentrate on the change. That rarely happens. And I think one of the great tensions on a change programme is helping people to carry on delivering their day job to a really high standard at the same time as expecting them to do something different and it's particularly acute when you're asking somebody to do something different for a change programme that may lead to them losing their job or not doing the job that they're used to do. That's a big challenge.

F1 Thank you. So if I move into now the more accounting part and budgeting. What are the processes and criteria of allocating resources, I don't know whether this is a valid question for yourself, among schools departments ...

M1 That's a good question.

F1 ... [unclear 0:30:24]

M1 We have something here called the three year planning process which to some extent is a misnomer because it's actually a kind of annual planning process that has a sort of three year time horizon if you see what I mean. And essentially that involves senior colleagues here at the centre of the university using the deputised transfer, provis transfers, going round the academic schools and it's a great chance for academic schools to describe what they're doing, what their plans are, where they see opportunity for growth, to make resource for quests for the future and so on. And if we bring that together and we look at that and essentially it's a classic issue for any

management board; you have to weigh up competing demands. But I think where you've got a strategy that helps inform so you're able to make a decision and say well that's interesting but does that actually conform with our strategy development in an area of research where actually we're not going to it very great or strong so why put the money there. So we're able to do that. It's not an untypical process to get a resource allocation site what we've got. I'm going to subject it to review over the next 12 to 18 months because whilst it's a thorough process, I've described it as a stately process. You know that kind of very stately, slow, deliberate process. My sense is the world is moving very fast out there and actually lots of decisions hit you mid year or during the year and if you have this slow, stately, once a year process the danger is it gets right out of sync with the realities of the world that's moving very, very fast. So I think we need to think about it. At the moment it is a classic, you know, certain priorities get those to influencing, go through a consultative process, leaders, managers, let the management board decide and in a sense I don't think we'll change the fundamentals but we just need to speed it up I think.

F1 And how about the allocation between research and different activities of the university, for instance between research and teaching ...

M1 Yeah that's a very good ... and part of the purpose of this three year planning process is to ask each academic school to be able to demonstrate where they've got that balance and whether they think it's right, whether we think it's right, and of course we can inform that by metrics so we might look at an individual academic school and take one metric, the National Student Survey might suggest that undergraduate students are very unhappy with something or other, they might say well what are you doing to address that. Equally, we might as universities think we've really got to get

some more grants in a particular research area; that's interesting you've got no attention being given to that, you've not provided any support there. So essentially you're asking the schools to kind of think those questions that you like the sort that you've posed, internally but again you've got the university central, if I can put it that way, sort of calibrating those judgements being made at the school level and then as it were mediating where there's a choice to be made between the resource allocation here or resource allocation here. most, as you know, most academic departments in this university do combine teaching and research so that question you pose is a very live question every year, getting that balance right between research and teaching and I think sometimes the university has to give signals, so sometimes we might ... the National Student Survey's actually quite a good example, I didn't think we were paying enough attention to that so give it a strong signal in the resource planning process to say we are gonna come, we are gonna really interrogate you. Or we might look at another academic school and say your grant success rate has been shocking; we want to talk about that with you. So you use the metrics don't you to inform depending on the particular circumstances of any academic school.

F1 Okay so if we talk about the central side of the allocation, are there any, or is there any resistance to the allocation system?

M1 I was kind of just talking to a colleague about that the other day. It's very tempting to say you should devolve everything down to the academic school. Who could argue with that? So the Head of the academic school has all the resource allocation decision and it's a good rate. Except what happens when something goes wrong elsewhere in the university and then you essentially have to take the resource off the so-called successful schools. I don't – I may be naïve about this; I don't think I

am – I sense that people recognise that the university as a collective represented by the top management team do have to make those wider strategic decisions about the direction and you can't do that if you've passed over all the resource allocation decisions down the line but because of this three year planning process I think most academic schools would say they do get a fair hearing when it comes to presenting and we don't ... I mean the thing is, the truth is, we don't overturn 90% of the recommendations that were made by academic schools, we don't do that, I mean the system would never work if we did that. But I do think people recognise that you do need that flexibility at the top to say actually I know that's a great priority for your academic school but it's a bigger priority for the university to be spending that money over here. Now if you go to devolve budget then the danger is it just becomes a façade; people think oh it's great until they take the money off me and that just feels dishonest to do that and I'd rather be very honest about the resource allocation and say to the school Heads you've got some control over this but you do not have absolute control over it. Because that is the truth and that's the reality so better that people actually live that than live one thing and actually find the reality's something different.

F1 Yes, absolutely. How do you communicate and motivate the schools and faculties to manage and control their budgets?

M1 Well that's a good question. This is all about rewards and incentives and punishments. I mean let's take the punishments. I mean there is a kind of ... I suppose there's an ultimate sanction which is if your budget goes way out of line we can impose a kind of special measures and we can essentially take over from the centre the kind of basic decision making that should be left in the school, when I say most of those resource allocation decisions are made in the school we can actually just withdraw

that power and certainly I can think of one academic school in my town where we didn't quite withdraw all of it but boy we really ... we were in there policing it because I think we'd got to that situation where it got a bit out of control. So that's quite a sanction that the academic school in a sense loses control over its own destiny and then to be frank about it then you have to make a judgement about whether the Head of the academic school's the right person to lead it if you think that the budget control hasn't been appropriate. In terms of rewards now some people complain about it and say well you haven't rewarded for doing good things and you think well wait a minute, of course you are rewarded for doing good things; you get more students, you get more research income therefore you get more students more researching, you can employ more staff. People will often I suspect complain that the reward at the margins isn't great enough so what's the marginal reward that we get? So yes we get more staff to teach more students, yes we've generated more income so that's great because the reputation and standing, but where's our discretionary money? The truth is the departments or academic schools that are successful do have more discretion because they've generated more income, sometimes more overhead income. But people will always say oh yeah they don't reward success the way they should. But I think again we get that balance reasonably sensibly done.

F1 Okay. I think we have reached a point where I need to ask about how do you perceive the role of budgeting to be?

M1 Yeah. Well I'm sure you won't be offended if I say that budgeting is the servant but a very important servant. You have to have a strategy, you have to make decisions about what you're doing and then your budgets ... I possibly broaden out from budgets to your financial strategy has to support your overarching strategy and within your

financial strategy good budgeting is the absolute bedrock of making it happen on a day to day basis and therefore I think if you can get that golden thread from big strategy to school priorities to financial plan to great budgeting then it all hangs together very, very nicely. There's a danger in a funny sort of way and I perhaps fall into it myself of thinking of budgeting as the poor relation, or the distant cousin who's not really there. But you know better than I do that if you're going to have effective financial planning and you're going to ensure that resources go behind priorities you need to have great budgeting to make that happen. So [unclear 0:40:37] budgeting that's all very routine, that's where the ... you will not achieve your overall strategic aims, your financial aims unless your good budgeting underpins all of that.

F1 So if I say that budgeting for instance can be seen as a communication tool, would you agree?

M1 I'd agree with that. I think what budgets can do is signal. Budgets give out signals and I think we all know that when we form or create budgets we are giving signals and people often ... and that's how people read them, they think oh look at the budget line for that and look at the budget line for this and I think you're on to something there that's quite important that you don't just see budgets, if you put it this way, as a mere arithmetic tool; you see the budget as communicating in a very visible way where the priorities lie and using the budget to demonstrate what those priorities are is quite an effective communications tool. Because people can look at it and say oh I look at the budget line, I look at the increase in the budget line from last year, there's clearly a strategic decision to put more there than there was last year.

F1 Because when I have asked some other people, mainly management accountants see it as a control tool.

M1 Yeah.

F1 Rather than ...

M1 I might say they would, wouldn't they? And actually we need them to do that. We do need them to do that so I'm not naïve about it but that's back to the whole point about if you've got a strategy, you've got priorities, you've got a budget, the budget is about exercising control over your priorities. There's nothing wrong in that. I think the challenge if you take that control view is that you don't just find yourself bound by it. A budget should not be a straightjacket. A budget ... you should not feel the prisoner of a budget, you should feel liberated by a budget. The budget gives you permission. It's not there to stop you doing things because that's the whole point of the budget line is to enable you to do it, so you've been granted permission, it's a signal that you can now spend to achieve that objective. Now if you're way off the line on the budget, fine, there is a control mechanism, but I think that's something about the language which we're using sometimes, dare I say it, management accountants communicate too much of the control and not enough of the empowering and if we want to change, we want to give people good signals through budgets, we have to get them to see these budget lines as empowering them to do things and not merely act as a straightjacket. It's moving from a don't do it mindset to a do it mindset.

F1 Okay. Interesting. So if we look at the budget in the change process that is happening now, what do you think its role is and how important it is?

M1 One can see this from many dimensions. I mean one can say first of all is helping us to understand what is the university doing already, so the analysis of budget lines has been an incredibly important part of the heavy digging to get to the facts of

what we're actually doing as a university, so that's really important. It has also helped us to disentangle the different components that can often be hidden in a simple budget line. I also think then back to our signalling point when we restructure budgets that's a very clear signal; let me give you an example. We are going to be making greater ... there'll be greater centralisation of procurement and purchasing decisions and essentially we've been in judgement about what the university as a whole can save like say by having a single contract with a supplier of lights for form travel. We will make a judgement across the university about how everyone's budget can be reduced to encompass the savings that will be drawn from the single procurement and that will be reflected all the way through to the budget line. So there's a very important signalling about actually the change has now happened and it's signalled through your budget. And I think the [s.l. 0:44:44 buy to buy] permission rather than the straightjacket point when you get these new budgets into position and people are liberated, you're saying to them right that's the budget to go for, that's what you should be now spending because we now need you to realise the new objectives of the university. So I think the budget is an incredibly important communications tool. I mean one of the reasons why your research is so interesting is because I think it's almost counterintuitive to think of the budget as a key part of the change process, but almost as when I was thinking about this conversation and your questions have stimulated it, you see this as a much more powerful tool than is apparent at first look. So that I think is a very ... it's always good to do a PhD on an accountant intuitive subject.

F1 Thank you. If I talk about the change. You have mentioned that in the change process and the implementation of the strategy there are going to be more probably IT changes and one of the changes in IT is probably to the accounting system, or

management accounting system budgeting. If you're aware of [s.l. 0:45:57 cognosisto aggresso]?

M1 I don't know much about the detail but I do know that changes were made, yeah.

F1 So I was wondering why this change in the systems so for instance where the decision come from to change the systems.

M1 Okay. I mean the technical reasons for doing that clearly I am not the best person to ask about that, but to that extent I have to be advised on that and I think that then takes you to the questions of where those decisions have been made. I mean the University Executive Board, so that's the most senior board of Executives, is essentially signing off all ... it's signing off the high directional strategy, it's signing off the key elements, the efficiency, the effectiveness programme of which this will be a part, but it's then delegating below the decisions probably to the Finance Project Board I would imagine to make that kind of decision. That's got to be the way that's right to do it. I think the question is always in these projects is, when do the top managers need to be involved in the decision making and when can you leave it to a slightly lower level but important Project Board to make the decision. Now there's no science ... well there can be a bit of science; you can say well we'll have a cost threshold, any cost decision more than X or Y goes all the way up to the Board. But actually what you really want is people to exercise their judgement so people, senior managers, senior colleagues, who are leading this to say actually this is quite an important decision and is a really strategic decision so let's bring it to the Management Board. And then ultimately, I'm the Vice Chancellor, I have to take responsibility for all decisions made in my name, our name, and that's fine, I'm quite content to do that.

But you're right, you've got then decisions, quite significant decisions, that could be made at different levels of the organisation.

F1 Okay, thank you. So do you get to see the university's budgets?

M1 Yes, oh yeah, yeah.

F1 So what do you think are the weaknesses and strengths of the current way they are produced?

M1 I'm not an accountant by background but I'd to think of myself as somebody having run a number of organisations, or has a good informed eye on budgets and therefore I guess the obvious point to me is always can you read this as a lay person, an informed lay person and make a judgement and can you get quickly to the facts of what is going well and what's not going well. My answer is yes. But the other thing that I think helps is when you get good commentary and indeed funnily enough we were just looking at the papers; the last round that Carol Wright, the Director of Finance, had put together, we were all complimenting her on the quality of the commentary that had gone with it because we felt as if we really had got a good sort of touch and feel for what was going on, so you know you've got basic simple straightforward is this well-presented so you can read the numbers, but actually good commentary I think for the lay person is incredibly important. And actually if we're talking about budgeting as a signalling tool, or a communications tool, you actually do need the words as well as the numbers.

F1 Yeah. And this is actually what I'm very interested in because the way the budget is done currently in universities I think in general is traditional budgeting ...

M1 Yes it is.

F1 ... and there are for instance in the corporate world other ways of producing budgets which include qualitative factors as well as the numbers and in the start of my study I was actually expecting to see this in universities but from my previous study which was as well from a university and other universities' perspectives, I found that the changes that are happening in the university environment and the university as an institution as well, they are not reflected on the budgets and the way ...

M1 Reflected in terms of the way in which budgets are being presented?

F1 Yes.

M1 That's very interesting.

F1 And the way, the methods, not just the system because we can change the system ...

M1 Yeah, absolutely.

F1 ... but the method for instance moving from traditional budgeting to other methods, has not been implemented and I'm ...

M1 That's an interesting challenge. But actually I think that commentary can often help you because it can get to the things. I mean there's also simple techniques like just representing a budget in a different way than the normal classic sort of spreadsheet [unclear 0:50:39] represented in different kinds of diagrams informatics and so on and people look a bit sniffy about those but again it's about signalling, if

budget is to inform and to help decision making and to point the way and to act as a control, act as an incentive, the better you understand it the better it is.

F1 Okay, thank you very much. I think I've asked you ...

M1 I hope you've found that useful.

F1 ... all my questions. Yes, very useful indeed.

3. Tabulation of interviewee data

Role	Duration of the interview to the nearest minute
Senior Manager 1	57 minutes
Senior Manager 2	43 minutes
Senior Manager 3	56 minutes
Senior Manager 4	45 minutes
Senior Manager 5	52 minutes
Senior Manager 6	49 minutes
Senior Manager 7	53 minutes
Senior Manager 8	43 minutes
Senior Manager 9	1 hour and 05 minutes
Senior Manager 10	58 minutes
Head of School 1	56 minutes
Head of School 2	2 hours and 03 minutes
Head of School 3	47 minutes
Head of School 4	58 minutes
Management Accountant 1	48 minutes
Management Accountant 2	43 minutes
Management Accountant 3	45 minutes
Management Accountant 4	46 minutes
Management Accountant 5	42 minutes
Management Accountant 6	41 minutes