Multilevel Institutional Analysis of Accounting Changes in the Public Financial Management

Nizar M. Alsharari,
Accounting Department,
College of Business and Economics,
UAE University, UAE.

Abstract

This paper aims to explain multilevel institutional analysis of the public sector accounting changes. It also seeks to explain the implementing budgeting changes, taking into account the complexities of the factors that drive and shape the cumulative processes of accounting change. The study presents the results of an interpretive case study in the public sector. It uses triangulation of data collection methods including interviews, observations, and documents and archival records. The study adopts a multilevel institutional analysis to better understand the implications of public accounting changes for the re-engineering and quality of the public service in Jordan. The paper concludes that public organizations have changed their accounting systems throughout three institutional levels. The new budgeting systems were produced and reproduced based on a re-consideration and re-enacting of theoretical accounting bases and procedures. As a result, the accounting changes were managed by modifying the laws and regulations. Through this process, accounting change was itself reformed and new accounting routines manifested which further embedded the existing accounting institutions and norms. This goes beyond conceptualization of budgeting change, as part of accounting change, which was mainly created by pressures for change in accounting routines over time. The paper is subjected to the normal limitations of case study approach. The propositions prepared in the paper should be further investigated in other organizations attempting to change their accounting system. The authenticity of the conclusions presented in this study would be greatly enhanced if supported by findings from other studies. The study has significant consequences for the ways in which accounting change dynamics can emerge at three levels of institutional analysis. It also explains the interaction between the 'external' origins and 'internal' accounts, which identified that accounting is both formed by and forming, broader socio-economic processes. This overall sensitivity to the nature of accounting has significant implications for the ways of studying accounting change. The paper is one of very few case studies in the accounting literature to explain the practical issues organizations face when changing their way of budgeting. The study contributes to both accounting literature and institutional theory by providing further understanding and 'thick explanation' of the dynamics of accounting change in the Jordanian public sector.

Key Words: Public Financial Management, Accounting Changes, Multilevel Institutional Analysis, NPM
1. Introduction

Accounting changes in public financial management over the last decade was central to the rise of the NPM doctrine and its associated ideas of Results Based Management (RBM) and public accountability, of which accounting and budgeting is an essential element. NPM emerged as an alternative paradigm to bureaucratic (traditional) public management (see Hood 1995). NPM is often interpreted as a response to budget cuts, fiscal stress, government overload, and social dissatisfaction, with relatively weak macroeconomic indicators including high public debt, budget deficit, inflation and unemployment. NPM reforms were taken up and generated by OECD countries in the 1980s (ibid.). The NPM, called "a new paradigm" by many researchers, seems to have dominated thinking about the public sector and fiscal reforms by practitioners and academics alike (Osborne and Gaebler 1992, Hood 1995, Hughes 1998). As Hughes (1998:1) states, "traditional public administration has been discredited theoretically and practically, and the adoption of new forms of public management means the emergence of a new paradigm in the public sector." Thus, NPM reforms appear to be a general response to public pressures including improving public management and services, remedying financial stresses, minimizing budgets, and the imperatives of globalization (Aucoin 1990, Polidano and Hulme 1999).

The RBM approach is clearly related to the NPM reform movement that began initially in the Western countries. However, in recent years, some developing countries including Jordan have also adopted this approach as a "management accounting tool" to restructure and improve the performance of their public organizations. In Jordan, the new public sector and fiscal reforms also embraced this accounting and management approach to introducing the change in budgeting system (Try and Radnor 2007, Hudock 2011, Sulle 2011).

Budgeting system is an integral part of RBM approach. The budgeting system provides financial resources to implement the strategic plan. Planning sketches the path and permits the setting of priorities. The objectives and KPIs within the strategic plan are frequently used as a basis for annual budget demands; at the same time, the strategic plan drives the budget requests (DBM 2012). KPIs, which are derived directly from strategic objectives, connect between the strategic plan and budget, as key elements of the strategic management process (Poister and Streib 2005). The Jordanian government has changed budgeting systems at three stages: 1) introduced RBB; 2) developed a new chart of accounts, and 3) implemented a new accounting system. At the same time, the government imposed these budgeting systems regularly and intentionally on public organizations, including JCO.

The paper after the introduction is structured as follows. Section (2) introduces Jordanian context, and section 3 presents institutional framework. Section (4) shows research

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1 OECD is the Organization for Economic Cooperation and Development
methodology. Section (5) provides the analysis and results of the JCO case-study infused by the institutional framework at three levels of institutional analysis: political and economic level, organizational field level and organizational level. The last section presents the discussion and conclusions.

2. Jordanian Context

Like other developing countries, Jordan has faced substantial environmental challenges in the past two decades. These challenges are intensified by the scarcity of natural resources, large budget deficits, soaring levels of debt, structural unemployment, high tax pressures, low quality of public services and bureaucratic public management. The location and regime of Jordan has helped the country to form strategic relations with the EU and the US, through several international agreements. As a result, Jordan launched the National Agenda in 2005, which represented a remarkable milestone in efforts to build a modern Jordan and address these challenges facing the country. The National Agenda (NA) initiative aimed to achieve sustainable development by implementing various public sector and fiscal reforms and with supporting by international donors and consultants, to set Jordan on a productive reform path toward rapid economic and political development (see National-Agenda 2005). Consequently, this led to transformation from bureaucratic management into the NPM doctrine. The changes in the Jordanian public sector toward NPM were under way by 2008, especially after the implementation of ‘results based management’ (RBM) approach including budgeting systems, i.e. the launch of RBB in 2008 and GFMIS in 2010.

The conditions and challenges in the Jordanian political and economic context created pressures for change at the societal level, which forced the Jordanian government to establish the criteria for effective financial management in the public organizations. The political and economic reforms were resulted in setting in motion the institutionalization of certain financial management processes by focusing mainly on the RBM approach, which was reflected in the public sector and fiscal reforms. These reform plans were developed by the government to address the implementation of the accounting changes, especially budgeting systems (i.e. RBB and GFMIS). The Jordanian reform process can be divided into two stages: external initiatives by IMF that took place between 1989 and 2004, and internal initiatives by the government that started in 2005. The analysis and discussion sections explain the relationship between the reform process in response to pressures (challenges and risks) and the introduction of national agenda, especially public sector and fiscal reforms focusing on accounting changes.

3. Institutional Framework

Accounting change is seen as a complex and continuous process; consequently, a contextual approach (see, Knight 2013) is essential to study the processes of an accounting change to tease out the complex features of the processes of change and explore the significance of power and
politics in the organizational context. Since various theoretical perspectives are useful for understanding organizational phenomena and as no single theory (Fligstein 1993), is entirely capable of interpreting social complexity, "a pluralistic, multi-institutional approach promises much more" (Burns 2001:34). Institutional theory is concerned with the deeper and more flexible aspects of social structure, as it emphasizes the processes by which structures, including schemas, rules, norms, and routines, become launched as authoritative procedures for social behavior (Scott 2004). It inquiries into how these aspects emerge, how they are diffused, adopted and adapted over space and time, and how they fall into decline and disuse (ibid.). Organizational structure as an adaptive vehicle can emerge in response to the characteristics and obligations of participants as well as to influences and pressures from the external environment. Hence, institutionalization here refers to this adaptive process: "in what is perhaps its most significant meaning, 'to institutionalize' is to infuse with value beyond the technical requirements of the task at hand" (Selznick 1957:17).

Institutional theories, in particular, New Institutional Sociology (NIS) and Old Institutional Economic (OIE), have been prominent in extending the study of an accounting change to include social and institutional dimensions of organizations and their environment (Hopper and Major 2007). Institutional theory recognizes that, rather than a single variable, there are several variants that can influence the processes of accounting change (Scott 1987). Extending these ideas, the integration process between OIE and NIS is made possible by using Alsharari et al. (2015) contextual framework, which combines OIE and NIS. Hence, it is important to realize the interaction between extra- and intra-organizational factors in the process of management accounting change. This framework combines three different frameworks to explain the processes of change: Dillard et al.’s (2004) framework, Burns and Scapens’ (2000) framework, and Hardy’s (1996) framework. The main aim of this “contextual” framework is to explain how accounting change can be conceptualized from different perspectives. There is a call to consider many facets: how the external environment influences organizations, and how organizations respond and translate these influences into their internal elements in terms of accounting and organizational changes (see, Pettigrew 1985a, Broadbent and Guthrie 1992, Dawson 1997, Pettigrew et al. 2001, Broadbent and Laughlin 2005, Broadbent and Guthrie 2008). The JCO case study identified how organizational actions had been influenced beyond the representative realm, in that substantive accounting changes have taken place at all levels of the institutional organization. After that, the importance of the high-level social contexts in motivating, sustaining and changing institutional practices was highlighted (see Dillard et al. 2004). This confirms the evidence that other factors, beyond economic ones, may play an influential role in the implementation of accounting changes in both private and public organizations (see, Meyer and Rowan 1977, Greenwood and Hinings 1996, Burns and Scapens 2000, Scapens 2006, Ter Bogt 2008, Chapman et al. 2009).
Scott (1995) describes the multilevel analysis of institutional change as ranging from the broadest, global perspective to the level of a subunit of an organization. Alsharari et al. (2015) framework recognizes that these multilevel of the institutionalization process move in a recursively cascading manner by hierarchically linking the wider institutional influences of the political and economic factors level (PE) at the organizational level, through the organizational field level (OF). Following the process of institutionalization, the new organizational institutionalized rules or practices may influence the set of normative practices (POF) and criteria (COF) at the organizational field level by reinforcing, revising or eliminating existing practices (Dillard et al. 2004). Accounting changes in organizational field practices (POF) and criteria (COF) usually influence the political and economic system criteria (CPE). Thus, new political and economic criteria defy the present coalition of power at the economic and political level. Consequently, the social processes of institutionalization, de-institutionalization or re-institutionalization can be generated by choosing significant norms, values, and institutions. Hence, such new accounting practices become institutionalized through these social and political processes, which cannot be justified merely by economic rationalities (Dillard et al. 2004, Wickramasinghe and Alawattage 2007).

4. The Research Methodology

In this paper, we have studied one case study, and a few other case studies on organizations attempting to explain the accounting changes at multilevel institutional analysis have been published. However, more studies of organizations that radically change their accounting systems and processes could contribute to the literature, as this would not only give insight in the “why” and “how” questions in relation to budgeting system but also contribute to the more general insight into the whole public financial management (for example, Malmi and Brown 2008, Davies 2015).

This paper presents a case study of Jordanian Customs Organization (JCO), which has changed its accounting systems including budgeting systems. The paper contributes to accounting research by identifying factors as well as circumstances that resistant the practical implementation of accounting changes. The JCO is headed by a General Director who reports directly to the Finance Minister. It is complex public organization; it works in a dynamic, variable environment and has witnessed rapid technological and accounting changes. The roles and responsibilities of JCO are vast and wide by its strategic objectives and mission. In response to the reinvention of government, JCO has progressed to become more mission-driven, customer-focused, result-oriented, and decentralized to match the needs of stakeholders and to maintain its institutional stability and legitimacy. The JCO renders services for public and trade facilitation at different customs houses. The number of major and minor Customs offices and directorates total 62 (32 branches and 30 Directorates). These Customs branches can be
classified into three main categories - Clearance Centres, Border Centres, and Post Office Centres - in addition to two Customs laboratories in Amman and Aqaba. The number of employees in these branches is more than 5000 employee.

Since the aim of this paper is to explain the processes of accounting changes within the Jordanian Customs Organization (JCO), qualitative research in this area will take the form of an interpretive case study to track different paths of change and their effects over time (Brignall and Modell 2000). The ontological and epistemological assumptions underpinning the interpretive paradigm are consistent with the assumptions that underlie the theoretical (contextual) framework used to inform the case-study. While the relations between the extra- and intra-organizational contexts are not necessarily straightforward and linear and are inextricably linked (Hong 1991, Bhimani 2001), an explanatory case study (Scapens 1990) is needed in this paper to explain these complex relations, and theoretical concepts are required to interpret the case-study findings.

To enhance the validity of the research results, this study uses the triangulation method of data collection: interviews and observations as primary evidence, and documents and archival records as secondary evidence. This approach has been used by many authors (Lind 2001, Marginson 2002, Hopper and Major 2007, Lukka 2007, Vaivio and Sirén 2010). Scapens (1990: 275) defines the triangulation method as "the process of collecting multiple sources of evidence on a particular issue." Although semi-structured and unstructured interviews constituted the primary method of data collection, other methods were used to complement these interviews as follows: participant observations; reviews of documents, annual reports, monthly management reports and legislative documents; and direct observations of the processing activities.

The interviewees, drawn from different levels of the organization, held various positions among JCO and they have diverse backgrounds. Thirty interviews were undertaken with different individuals over three field visits to the site in 2013, 2014 and 2015. These visits were used to gather evidence on accounting changes and the internal and external factors that affected the existing and new budgeting system. As such, a retrospective approach was used, with interviewees being asked to describe, explain and reflect upon the events they had experienced. In some situations, relying on their memories was the only practical option, but memories can be partial and may be shaped by present viewpoints. Hence, wherever possible, multiple data sources were used.

The process of analysis began at the same time as the data were collected and prepared for analysis. Accordingly, interviews were recorded and transcribed progressively in a word-processed (ibid.). The process of analysis commenced with the full transcript of all interviews. These transcripts were entered and coded in QSR Nvivo10 software by reading and re-reading data many times, paying particular attention to the mode of expression (e.g. intonation, pauses, etc.). This helped the author to recognize the specific issues that resulted from each interview.
about other evidence. Thus, data reduction took place when common sequences and patterns were spotted and highlighted. Afterward, similar themes were grouped and classified, such as RBB, ERP, and RBM. Meanwhile, the detection of any differences in perceptions among interviewees that might disconfirm the patterns previously identified was closely managed. In this regard, similar themes or opinions expressed by the interviewees were explained within the normal body of discussion and analysis, while different themes were discussed using direct quotations from the interviewees. These procedures were followed to guarantee the plausibility of the analysis and the authenticity of the study findings.

5. Analysis and Results

Alsharari et al. (2015) framework offers an excellent basis for an account of accounting change as it pays particular attention to the link between organizational contexts and organizational actions and provides a more detailed account of the different interests and powers of human actors (see Ma and Tayles 2009). In particular, this framework can serve as a basis for explaining accounting changes within JCO case study. Moreover, this study, by applying contextual framework, seeks to achieve further progress in institutional theory and to tackle the issues that were shown in the following Figure (1). The following sections explain the processes of accounting change as shown in the same figure.

INSERT FIGURE (1) ABOUT HERE……

5.1 Accounting Changes at Political and Economic Level

Accounting changes and other organizational changes are part and parcel of changing social and economic relations. Accounting is an essential craft in all businesses; it has been modified significantly across time, adopting new forms, mechanisms and roles (Clarke and Lapsley 2004). In Jordan, public services are provided by the central government through 25 ministries and related public organizations, such as directorates, departments, agencies and public corporations. The characteristics that distinguish these types of organizations are governance structures and adherence to various legislative acts (laws and regulations) that are encoded and enacted by the central government, such as the ‘State Financial System', accounting principles, Organic Budget Law, and Customs Law, etc. Along the same lines as structuration theory, the social norms and values are codified in the laws and regulations that reflect legitimating grounds. These laws and regulations formulate and determine the rules for the organizational actions, including accounting, that are represented in the representational scheme. In turn, the Cabinet (Coalition of Power) uses these laws and regulations through the political and economic institutions to exercise and allocate control over resources in the form of a dominance perspective (see Giddens 1984).

The most general norms and values at the political and economic level, just like the National Agenda including laws, principles, and practices, were established and influenced by the
existing distribution of power (the Cabinet) in society. The National Agenda strategy involved three main phases, one of which is the public sector and fiscal reforms that contained the RBM approach. However, the reform phases were not without challenges and resistance to change. The government faced various types of obstacles and challenges in implementing the National Agenda, including the following: limited institutional capacity in government; resistance to change from traditional forces and the difficulty of building a national consensus; a lack of public support for reforms; negligible involvement of private-sector and civil-society actors in policy-making and implementing reforms; lack of financial resources; and uneasy regional political situation (EU 2007a).

The RBM approach was introduced by the USAID/FRP-I & II as a tool for transforming government. It was launched at a workshop conducted by David Osborne, the author of ‘Reinventing Government’ (USAID 2010c). The workshop focused on the RBB system as a tool for inspiring creativity, innovation, and responsiveness to lead to better government outcomes and highlighting the possible added value of the government performance (ibid.). The government had previously introduced KAA excellence model, TQM system, and new government structure to promote an excellence culture in the environment and its adaptation to the new normative paradigm. The official introduction of a more pronounced ‘RBM’ philosophy occurred in 2008 when the government changed the focus of management and accounting to be more results-oriented. The change process was based on the notion that the responsibilities and roles of politicians and civil servants can and should be separated (Modell et al. 2007). This was embedded in a rhetoric emphasizing the need to reduce the allegedly pervasive element of complete political control to remove constraints on managerial freedom (ibid.). This may seem paradoxical as Jordanian public organizations are renowned for being highly autonomous regarding budget and financial management. However, the introduction of ‘RBM’ approach was accompanied by a strongly-felt need to deregulate and decentralize central government operations and structure (ibid.).

Consequently, political and economic phenomena as an RBM approach were viewed as outcomes of three primary factors: the distribution of preferences (interests) among political actors, the distribution of resources (powers), and the constraints imposed by the rules of the game (structures). Each of these was treated as exogenous to the political and economic system. Thus, the overarching societal level of political and economic systems, within which norms and values were created and disseminated to members of that society, provides the overarching parameters and criteria for the organizational field and, hence, organizational actions. These parameters are reflected in organizational field criteria and practices that are the outcome of conscious and reflexive actions by human agents over time and through space, which is in the same way reflected in organizational practices (Dillard et al. 2004).
Accordingly, the behavior of public organizations was an outcome of the interlocking choices by individuals and subunits, each acting concerning expectations and preferences manifested at organizational field level (Niskanen 1971). In the same way, the behavior of a market or economy was an outcome of the interlocking choices by individuals and organizations, each acting regarding a set of expectations and preferences manifested at the societal level (Stigler 1952). It is not necessary for the micro processes to involve choice, and collective behavior in a group can be viewed as the outcome of the interlocking of reproduction processes occurring at the organizational level (Lave and March 1975). In other words, the collective behavior of the government (at organizational field level) can be viewed as the outcome of the interlocking of standard operating procedures and accounting rules followed at the level of the individual organization (Nelson and Winter 1982).

5.2 Accounting Changes at Organizational Field Level

The concept of organizational field is central to institutional theory (Greenwood et al. 2002). It represents an intermediate level of organization and society and is instrumental (helpful) in processes by which socially constructed expectations, and practices become disseminated and reproduced (Scott 1994, 1995). The organizational field (OF) level represents the second level of accounting change and includes socio-economic configurations such as public organizations, industry groups, professional bodies and consultants (ibid.).

In the same way, Jordan's central government introduced the RBM approach, which was translated and disseminated within the regulatory environment among public organizations. In this regard, institutions determine rules, procedures and structures for organizations as stipulations for granting legitimacy and resources (Meyer and Rowan 1977). These institutions usually comprise governments, professional bodies and other organizations in the same field (Tolbert and Zucker 1983), in addition to interest groups, universities and public opinion (DiMaggio and Powell 1983). Public organizations within the environment adopt similar structures and systems even though there is no technical reason to do so. When that occurs, organizational homogeneity (isomorphism) becomes clear in the field.

Accordingly, the isomorphism is produced from powerful forces (pressures or external powers) that are established at the political and economic level, leading public organizations to change their structures, goals, and systems or practices. Within the Jordanian public sector, the central government has exercised power over public organizations including JCO, requiring them to adopt and implement RBM approach including budgeting systems (RBB and ERP). In particular, they have changed the budget focus from the traditional budget into RBB, which links the strategic planning information with the budget outputs. RBB, as well as ERP, helps the cabinet (power coalition) to control the public organizations by linking RBB with KPIs, and the latter examines the contribution of each organization to achieving strategic objectives that stem from national objectives. Mutually, these accounting changes have resulted in many
developments concerning the NPM idea, public accounting, and RBM approach. Thus, RBM approach promotes accounting rules and practices to make revenue collection more efficient and equitable and improve budgeting and financial management within the governmental field (see USAID 2011a).

Accounting systems, such as RBB and ERP systems, show three coupled elements of isomorphism. Firstly, the reform process is extremely imitative. "The diffusion of reforms seems to follow a similar pattern to that of other processes of imitation." Imitation emerges through two paths: one is the copying of sound policy and prestigious instances of reform, while the other is the application of "more or less global" templates or models for reform (Barzelay and Gallego 2006:536). Secondly, the institutional dynamics of international organizations - including looking beyond resources and legitimacy - work as the source of such legitimated normative change. International bodies such as IMF, USAID, and the World Bank can generalize individual models and put them into the general template. Meyer (1998) suggests that reform initiatives are situated within a world society sharing an individual culture and structure. Andersson (2001:25) further argues that “countries have been given great possibilities and incentives to converge - and to pursue similar reforms” as a result of the transnational reforming and legitimating processes (Barzelay and Gallego 2006). Bearing in mind Meyer’s and Anderson’s findings, the international donors, especially USAID, and their consultants contributed to implementing and diffusing these systems inside the governmental environment in Jordan. Thirdly, the government has coercively and formally imposed these systems on public organizations with the aim of developing and improving. Consequently, all of these types of isomorphism are overlapping and interacting with one another in the diffusion process of the new accounting system.

At the organizational field level, the public organizations (represented by MOF and its affiliated organizations, especially JCO), consultants and experts have developed procedures, guidelines and plans on how the accounting systems (RBB and ERP) should and could be disseminated and implemented within certain industries and by specific organizations. Although MOF organizations gained experience in these accounting systems during the learning process, the systems have to be reinforced or alternative practices developed. Over time, certain practices will come to the fore and be recognized as ‘better' practices (see Dillard et al. 2004). Thus, institutional pressures in highly institutionalized environments are expected to generate organizational responses, but the responses are not always the same across all organizations. Rather, these responses may differ widely according to the forms of institutional pressures that come from both within and outside an organization, as well as the acceptable responses available (Oliver 1991, Greening and Gray 1994). The expectation is that there will be a greater extent of conformity (isomorphism) as the level of institutionalization increases about the need for greater legitimacy in society (see Dillard et al. 2004). The organizational
level explains the response of JCO to the external pressures by implementing new accounting changes following the RBB system.

5.3 Accounting Changes at Organizational Level

At the organizational level, institutional theorists indicate that economic and other institutional factors may induce change (Greenwood and Hinings 1996). In the same way, Ter Bogt (2008) recognizes that economic issues, such as budgetary pressure and fiscal stress, played a key role in the introduction of various accounting changes. Also, several accounting changes were introduced because they were a ‘success’ elsewhere and seemed ‘modern’ because they were expected by certain stakeholders or because they were mandated. This suggests that such factors, especially isomorphism, and external legitimation, as mentioned in sociological institutionalism in the previous section, also played a partial role in the change process (Ter Bogt 2008). According to this perspective, JCO has changed its emphasis from a mechanistic approach with inputs-orientation to a post-mechanistic approach with outputs-orientation to deal with the transformations in the Jordanian government field. JCO became more technology-responsive and established new rules and routines emphasizing the significance of the ICT and accounting innovations as a consequence of greater competition in the international trade facilitation, especially after 2000. In doing so, accounting change has become the outcome of this organization’s acts of conformity and adaption to external pressures. Thus, the institutionalization of the accounting changes to the RBM approach in JCO depended on the responses of organizational actors to external changes (Fliedstein 1985).

Drawing on Alsharari et al. (2015) framework, the various accounting changes, especially budgeting systems in JCO, can probably be considered changes in ‘rules' and 'routines.' The central idea of this framework is MAPs and systems, a part of the organizational norms and routines. Accordingly, studying the processes of accounting change requires a conceptualization of the ways in which new accounting practices evolve over time (Nelson and Winter 1982). Thus, Alsharari et al. (2015) framework reflect "the process of institutionalization" which is a continuous process of change over time, comprising four steps. The first process entails the encoding of existing institutions and meanings into new rules and routines; the second process includes the behavior and institutions exercised by actors through enacting the routines of day-to-day activities; the third process is reproduction which happens as a result of repeated behavior or use of the routines and rules over time (such as procedures re-engineering); the fourth and final process is the institutionalization of rules and routines which have been reproduced by actors’ behaviors or organizational activities (Burns and Scapens 2000).

At the organizational level, following the diffusion of RBM approach, including ERP and RBB system within the political field, the Jordanian government has imposed RBB and ERP on the JCO as a pioneering organization, in 2008 and 2011 respectively. In both cases, the
General Director of JCO used his power over resources and issued a formal decision to encode and enact these new accounting systems. Thus, JCO has started to implement these systems by training existing employees and establishing a new budget department and a strategic planning department to translate and follow up the implementation process. Hence, the change of accounting systems led to a change in organizational structure to facilitate the process of change in the budgeting systems on the one hand and to adapt to the external environment on the other.

The aims of these new departments were as follows: to prepare the budget by focusing on the results in terms of RBB system; link RBB system with strategic planning for the next three years; follow-up capital projects and programs in accordance with the ‘State Financial System’; and coordinate RBB programs and projects in accordance with central RBB system. In addition to the strategic planning department, it was important to coordinate all programs and projects in the RBB system in relation to organizational strategic objectives, which must be prepared in accordance with national objectives. In doing so, RBB system and ERP helped to encode and enact many new accounting routines to adapt to the new environment, such as JCFS\(^2\), TQM, BSC, strategic planning, accountability, new financial committees, and a new chart of accounts, etc.

Within the JCO, budgeting procedures have been modified in a set of rules laid down in the ‘budgeting manual.’ These rules were established when the Jordanian government imposed RBB on the JCO (coercive change) in 2008. However, as these new regulations, i.e. budgeting procedures, are implemented, modifications of the actual practices occur, either deliberately or unconsciously. Deliberate accounting changes could occur due to resistance within the organization, or because of certain circumstances in that organization. Budgeting Department Head states that "the resistance to an accounting change in the JCO was mainly represented by mental allegiance to a certain (old) system by traditional actors,” or by particular ways of thinking and doing things embodied in existing routines and institutions (see Burns and Scapens 2000). Accounting change can also occur unconsciously when, for example, the rules are misunderstood or are inappropriate to the circumstances (Nelson and Winter 1982). Hence, in the enacting process of the budgeting procedures, new routines have emerged and have been reproduced over time by passing them to new members inside the JCO. In doing so, RBB practices have become an acceptable way of doing things or taken-for-granted institutions among the JCO members. In this regard, Budgeting Execution Officers in Budget Department indicated that,

The change in the budget led to the establishment of many of the accounting routines among the organizational members, such as budget manual, expenditure mechanism, and budget preparation methodology, etc. Nevertheless, the change process continued as a new culture among employees, so that the JCO supports any new idea that serves the financial and non-financial work. We have

\(^2\) JCFS is Jordan Customs Financial System
developed all methodologies and mechanisms of financial and accounting action; we have examined the application of these procedures in practice, and we have watched the best-working methods of the same department in other organizations. Accordingly, we have reviewed and re-enacted our working practices and procedures and, if necessary, we amend any practice that leads to change for the better. At the same time, we get a formal approval from top management about any new practice or procedure to become an acceptable way of doing things among organizational members.

An essential concomitant of the move to the RBM approach is the removal or at least relaxation of bureaucratic and procedural controls over line managements. The idea, in RBM, is to shift to accountability for outputs (performance) rather than for inputs (see Polidano 1999). Thus, JCO’s organizational structure was changed in 2011 from a centralized structure to a more flexible, flat and decentralized structure. Moreover, JCO also changed the emphasis of management style from individual tasks to team-working and from hierarchical power to expert power (see Dawson 1994). Thus, teamwork and expert power led to employees’ empowerment by exercising control using peer pressures and internal self-discipline or accountability among organizational members, as well as replacing managerial control with the peer pressures of teamwork (see Ezzamel et al. 1999). As a result, the processes of accounting change occurred due to teamwork, organizational restructuring, decentralization of accounting functions, and the use of both non-financial and financial measures to evaluate the performance of employees and the organization as a whole. Meanwhile, decentralization in the accounting tasks increased the management accounting role in the management decisions and organizational change (see Innes and Mitchell 1990). Strategic Planning Officers explained that,

The new organizational structure of JCO helped to delegate the responsibilities of the General Director to his assistants through a decentralized decision-making and delegation of powers. It included increasing the number of assistants to the General Director from two to three assistants. One of them was responsible for Finance and Management Affairs. It also helped to restructure and redistribute the number of directorates that were associated directly with the Director General between three assistants to facilitate the work and procedures and speed up the decision-making. This, in turn, led to an increased focus on specialists and experts in the work, and teamwork. Some new technology systems emerged, including accounting systems, such as E-Customs, TQM, Business Intelligence system, and Risk Management as well as ASYCUDA system.

Similarly, Deputy of CFO mentioned that,

"JCO has implemented a new JCFS as an integrated accounting system as a result of advancing technology in other organizational activities. The aim of implementation is that, instead of the accounting knowledge of existing stand-alone FoxPro systems being managed and controlled by one employee, the new JCFS will enable the publishing of accounting knowledge among all accounting staff".

Although the process of enactment may involve conscious choice, it will eventually stem more usually from reflexive monitoring and the application of tacit knowledge about how things are made. Of course, the enactment of rules and routines may be subject to resistance, especially if the rules and routines challenge existing meanings and values, and actors have sufficient resources of power to intervene in this process. However, in the absence of ‘external’
changes, such as advances in technology, there is unlikely to be a reopening of previously agreed arrangements and, hence, routines may become somewhat resistant to change. Nevertheless, the change can take place (Burns and Scapens 2000).

The dominant factors can be divided into internal and external factors. The internal factors included HR management (Mintzberg 1993), technological facilities (Wilson 1989), organizational culture (Schein 1996, Jarnagin and Slocum 2007) and internal control system (Bergmann 2009). In examining external factors, it must be considered that changes should comply with the principles of legislation of the ‘State Financial System.’ In this regard, most interviewees in Finance Directorate stated that,

"The State Financial System still includes some outdated traditional practices that did not permit the use of ICT or automated systems in financial matters."

However, they should not have a destructive impact on the current system but, rather, a supportive and evolutionary effect that will serve the public interest to make accounting, budgeting and reporting systems more transparent, consistent and comparable (Tikk and Almann 2011). Consequently, the key sets of external factors that have been considered are economic and political factors (Von Hagen 2006, Bergmann 2009), legal acts (Guthrie et al. 1999), resource dependence (Salancik and Pfeffer 1978, Hodge and Piccolo 2005) and other public organizations in the same field (Chan and Xiao 2009).

Burns and Scapens (2000) assume that the extent to which specific rules or routines are modified and reproduced may depend on other rules and routines - including budgeting and control procedures. In the same way, Revenues Officer clarified that,

"New JCFS has been implemented to adapt to ERP and RBB systems, which can help to collect all the information required to prepare and execute the budget in any of the different formats. In any of the budget formats, the information should contain all expenditures including expenditures that are financed by sources outside the central RBB system. In some cases, JCO may be given the right to fund its activities and projects through revenues it gains itself. In other cases, JCO may receive grants from foreign sources, or fund its operations through domestic or foreign loans."

However, the budget should include all of these significant expenditures, to provide assurance that scarce resources are allocated to the priority programs and projects and that proper control and public accountability are properly enforced (USAID 2012a). Some interviewees from JCFS project team indicated that

New JCFS enabled us to link with ERP; the latter is a system for managing financial information on the State level. Both ERP and JCFS are inextricably linked by automated chart of accounts (COA) comprising all RBB accounts. Accordingly, RBB system now is preparing and executing electronically at all stages.

In the process of routinization, previously formulated rules were modified and reproduced as the organizational actors locate mutually acceptable ways of implementing them, and the new budgeting procedures were defined in a set of rules laid down in the ‘budgeting manual’ (Burns and Scapens 2000). These rules were established at the time of imposition of
governmental standard procedures in JCO. Hence, through the enactment of the budgeting procedures, new routines emerged, such as budget methodology and budget analysis technique; these were reproduced over time and 'passed on' to new members inside the organization (Nelson and Winter 1982). In this way, rules were established and, through their implementation, new routines emerged and became common practice among JCO employees. Thus, a reproduction process emerged as repeated behavior led to a reproduction of the routines. Consequently, the routines themselves started to be institutionalized. After that, they become the taken-for-granted way of behaving, disassociated from their particular historical situations. They become the unquestioned (and unquestionable) way of doing things (Burns and Scapens 2000). The Budgeting Analyst in Budgeting Organization explained that,

"JCO, like other public organizations, is authorized to execute budget resources and to disburse funds within the boundaries of the approved budget law, State Financial System, and liability document. JCO is assigned to formulate the timely submission of annual budget requests and justification prepared by the requirements of the Budget Circular and Organic Budget Law of 2008".

Policies of expenditure control, as in ERP and RBB system, and the associated priorities to improve the treasury have led to some clearly defined functions and roles, which have served to generate forms of selective centralization and decentralization that are compatible with one another. Centralized expenditure budgeting and decentralized management accounting systems, for example, can coexist without straining the capacities of public managers to manage their fiscal resources and results effectively (Schick 1988). However, the technique of public management does not presume that there is any one best way of achieving results. Rather, managers are given the responsibility without prescription to decide how results are to be obtained and fiscal resources allocated. One of the manager's roles is to decide a way of working, and he or she is then individually responsible for results, be they successful or otherwise (Hughes 1998). Strategic Planning Manager stated that,

"JCO managers are intended to develop new working methods for long-term planning and strategic management. This means deciding the organization’s mission, looking ahead to the accomplishment of goals and objectives including how the organization fits into its field, and the strengths, weaknesses, opportunities and threats in that government field. These techniques provide better utilization of resources by linking outcomes to resources, especially when they are combined with the RBB system".

Hence, only by knowing what the JCO does, what its future aims are, and how it has progressed towards its declared objectives will the leadership be able to decide which programs or projects are worth retaining (Hughes 1998). JCO has thus achieved the approach of RBM as a new way of doing things. RBM approach has stressed the use of administrative KPIs to measure the performance of individuals, and efficiency KPIs to measure the performance of strategic plans. JCO's strategic plan has included and developed KPIs as a way of measuring the progress made towards realizing the declared objectives. The performance evaluation
system aims to measure the performances of individual staff as well as organizational objectives, which are later compared to actual achievement at the end of the year. This led to the extension of the system of rewarding or sanctioning staff by the aim of achieving progress towards the objectives. Informal methods of appraisal were considered ineffective and were thought to lead to inferior organizational outcomes. There is a general aim to monitor and improve the progress of staff and plans towards achieving objectives (Hughes 1998). However, performance measurements involved more than indicators, as Holmes and Shand argued:

“A performance orientation is only marginally influenced by the existence of performance information”; rather “the need is for much greater attention to be given to changing the incentives in the institutional framework – the budget and personnel systems, the approach to control and risk management, etc. so that performance is encouraged, rewarded and required” (1995:563).

6. Discussion and Conclusions

The paper discusses how recent NPM reforms were describing better ‘RBM’ orientation and a concentration on strategic planning techniques may have consistently strengthened long-term managerial concerns about current working processes within JCO as well as the Jordanian government (Modell et al. 2007). Hence, there is some basis for arguing that the emerging National Reform Agenda may represent a turn to the process of NPM models. While such models have usually been associated with the ‘bureaucratic’ paradigm rooted in pre-NPM practices (Hood 1991, 1995), the ‘new’ process of NPM concerns confirmed a more external focus on the public sector and fiscal reform agenda. At the political and economic level of Jordanian central government, there is undeniable evidence of an ‘RBM’ approach entailing budgets is being cut while revenues are rising. Which prevent bureaucratic institutions from seriously challenging its institutionalized position (Pierson 2000). This has stressed the dominant position of ‘RBM’ approach, including budgeting systems, at the expense of process-orientated management practices, and has emphasized the path-dependent and evolutionary nature of change (Modell et al. 2007). The multi-levels of institutional analysis confirm this observation by drawing attention to the flexible and socially constructed dimensions of institutional convergences, and by increasing legitimacy and support.

Accounting systems, along with the RBM approach (RBB, ERP, & JCFS), were recognized as innovations that provided a “better way” to be more beneficial within the JCO and were thereby influenced by the widespread practices at the organizational field level. Over time, these practices came to articulate the held perception of how best to organize and manage so that the objectives of economic efficiency, sustainable development and wealth creation could be more efficiently achieved. Consequently, the political and economic level criteria were strengthened. The organizational field-level practices changed from input-process orientation to results orientation, and the public organizations including JCO began to adopt these practices within the political field. As such, these practices became institutionalized at three levels of
institutional analysis because there was congruency of criteria across these levels. At the organizational level, the institutions and values tend to reflect those of the organizational field criteria. Hence, resources were allocated to develop representations, actual or illusory, of the apparent best practices. This has resulted in the adoption and reinforcing of these institutional practices. Institutionalization was brought about as the practices that supported the dominant position of the power coalition (the Cabinet), and national objectives were recognized and rewarded (Dillard et al. 2004)

Accounting systems such as RBB and ERP systems showed that three coupled elements of isomorphism had taken place in the organizational field. Firstly, the change process is extremely imitative, "The diffusion of reforms seems to follow a similar pattern to that of other processes of imitation" (Barzelay and Gallego 2006:536). Hence, organizations tend to mimic similar organizations in their field that they perceive to be more legitimate or successful (DiMaggio and Powell 1983). Secondly, the institutional dynamics of international bodies - including the pursuit of elements beyond resources and legitimacy - work as the source of such legitimated normative change; for example, the RBB system emerged through normative isomorphism represented by the influence of international professional bodies, especially USAID, and their consultants. Hence, the normative pillar embodies organizations’ political and social obligations to international professional organizations to gain support and legitimacy. Besides, international donors, especially USAID, and their consultants have contributed to the implementation and diffusion of these systems inside the political environment in Jordan. Thirdly, the RBB and ERP systems appeared as a coercive pressure stemming from economic and political influence as well as cultural expectations of the society in which they operate. At the same time, the government has imposed these systems on public organizations including JCO to promote convergence within the Governmental field

These isomorphism pressures have filtered through to internal organizational practices including accounting practices. JCO has launched some initiatives at the organizational level to adapt to external changes, including reorganizing its structure, redesigning internal processes and procedures, and developing different innovative strategies and systems focusing on RBM approach. These accounting systems are tightly coupled to organizational configurations. The processes of accounting and organizational change are inextricably linked; each of them leads to the other. The interaction process between organizational settings (i.e. structure, strategy, culture, ICT and leadership) and accounting systems helped to identify and recognize the dynamics that have been manifested between them. In this regard, the RBM approach was shorthand for accounting change that reflected an incremental and evolutionary change in the organizational and accounting culture of JCO across the government. In this way, JCO achieved ‘external adaption’ and ‘internal integration’ by developing operating procedures, customs processes re-engineering, and implementing new RBM mechanisms, especially RBB, JCFS and
ERP systems. JCO is a complex organization; it works in a dynamic, variable environment and has witnessed rapid technology obsolescence. The roles and responsibilities of JCO are vast and wide by its strategic objectives and mission. In response to the reinvention of government, JCO has progressed to become more mission-driven, customer-focused, result-oriented, and decentralized to match the needs of stakeholders and to maintain its institutional stability and legitimacy.

The processes of accounting change began when MOF imposed the RBB system and ERP on all its affiliated organizations, including JCO. Initially, many employees in the JCO showed great concern about the nature and effects of the new rules associated with the new systems and methods implemented under the directive of the government, represented by MOF. However, the way in which they were applied and eventually became institutionalized was largely ceremonial and shaped by the existing norms and institutions within the JCO. This was realized by accepting and using the new rules and the emerging routines from the daily working activities. Through this process, accounting change was itself reformed and new accounting routines manifested which further embedded the existing institutions and norms (Siti-Nabiha and Scapens 2005). Thus, accounting change in JCO did not take place in isolation. Institutional theories shed light on the discursive interaction between JCO and its institutional environment (Wickramasinghe and Alawattage 2007). These insights have important implications for institutional research on accounting change and public sector reforms, in responding to recent calls to bridge the gap between the extra- and intra-organizational levels of analysis (Modell 2003, Dillard et al. 2004). And, as correctly narrated by Burns and Scapens (2000), this goes beyond conceptualization of budgeting change, as part of accounting change, that was mainly created by pressures for change in accounting routines over time.
Figure 1: the Processes of Accounting Changes in the Jordan

[Diagram showing various processes and stakeholders involved in accounting changes, including national objectives, sectoral objectives, strategic objectives, political reforms, fiscal reforms, and organizational changes at different levels.]
References


