Management accounting change and agency in embedded situations

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Management accounting change and agency in embedded situations

Cambio en la Contabilidad de Gestión y agencia en embedded situations

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Focusing on internal micro-processes, this study contributes to the management accounting change literature showing what conditions allow agency in embedded situations. We analyse a family company in the period 1904–1969 in that, after more than 50 years of ongoing reproduction of highly institutionalised management practice, the chief executive officer (CEO) fostered a radical institutional transformation in whose process the implementation of a cost accounting system was driven.

As main conclusions, first, we argue that management accounting change drivers are strongly influenced by actors’ interests and by the perception and interpretation that actors make about institutional contradictions or external critical events and their effects on the organisation. Second, we shed light about the interrelated influences that institutions and individuals exert on meanings and roles attributed to management accounting in institutional change, even impelling the implementation of a completely new system to support it. Finally, we illustrate that both process and content of accounting change are moulded by normative influences intertwinined with the cognitive schemes of actors involved.

Keywords: management accounting change; agency and structure; family business

JEL classification: M41

Centrado en los micro-procesos internos, este trabajo contribuye a la literatura en contabilidad de gestión mostrando qué condiciones permiten el ejercicio de la agencia en embedded situations. Para ello, analizamos una empresa familiar durante el periodo 1904–1969 en la que, tras más de cincuenta años de reproducción de prácticas de gestión muy institucionalizadas, el CEO fomentó una transformación radical institucional en cuyo proceso se impulsó la implantación de un nuevo sistema de contabilidad de costes.

Como principales conclusiones, primero, argumentamos que los factores impulsores del cambio en la contabilidad de gestión son influidos con una alta intensidad por los intereses de los actores y por su percepción e interpretación de las contradicciones institucionales y los sucesos externos críticos y su efecto sobre la organización. Segundo, se describen las interrelaciones que las instituciones y los individuos ejercen sobre los significados y roles atribuidos a la contabilidad de gestión en el cambio institucional, incluso llegando a impulsar la implantación de un sistema completamente nuevo para apoyarlo. Finalmente, ilustramos que tanto el proceso como el contenido del cambio contable son moldeados por influencias normativas entrelazadas con los esquemas cognitivos de los actores implicados.
1. Introduction

Agency in embedded situations is a key issue for scholars to understand more about management accounting change (Englund & Gerdin, 2011). Studying agency and structural change from an institutional sight involves one of the most important challenges facing institutional theory (Battilana, Leha, & Boxenbaum, 2009), the so-called paradox of embedded agency (Seo & Creed, 2002): how can actors enact changes to institutions through which they are constrained. As Burns and Baldvinsdottir (2005, p. 753) claim, institutional theory needs to shed light about “[w]hen, why and how can change emerge from institutionally embedded situations,” since it has been more likely to explain institutional stability than change (Clemens & Cook, 1999), and until recently it has been more structure-oriented, emphasising isomorphic influences (Suddaby, 2010).

Englund and Gerdin (2011) state the high potential of a duality perspective – structure and agency as mutually constitutive and interplayed – (Giddens, 1984; Kilfoyle & Richardson, 2011; Macintosh & Scapens, 1990) to contribute to our understanding of how embedded agency may come about, examining the multiplicity of potential origins of structural change in a management accounting context. Specifically, although institutional studies have tended to neglect the individual level of analysis, at least some institutional (e.g., Battilana, 2006; Battilana et al., 2009; Dorado, 2005) and management accounting (e.g., Burns, 2000; Burns & Baldvinsdottir, 2005; Burns & Scapens, 2000) academics have argued that it is necessary to study how individuals, whose behaviour is largely influenced by prevailing institutions, can intentionally drive radical change.

In organisations, management accounting change is a very complex and ongoing process whose drivers can be multiple (Sulaiman & Mitchell, 2005) and that is far from being linear or predictable (Busco, Quattrone, & Riccaboni, 2007). There are numerous studies which show evidence about the influence of critical exogenous events on management accounting change, although these researches lack to analyse endogenous processes by which knowledgeable and reflexive actors intentionally convert these events in accounting change triggers (Englund & Gerdin, 2011), that is to mean, lack an internal perspective at the organisational level of analysis (Suddaby, 2010). Specifically, a key issue that makes institutional sight different from other perspectives in organisation theory – useful to explain organisational and accounting change when external events exert strong pressures on organisation – is that the former has the potential for researchers to focus on both the individual’s perception and interpretation of that external pressures and their actions according to their values, norms, interpretative schemas and interests.

Therefore, the understanding of management accounting change can benefit from an analysis focused on endogenous influences (and events outside of the social system that collaborate with them) and intentional drivers of radical institutional transformation, that is well related to the concept of institutional entrepreneurship (Dimaggio, 1988; Kilfoyle & Richardson, 2011), “a concept that reintroduces agency, interests and power into institutional analyses of organizations” (Garud, Hardy, & Maguire, 2007, p. 957). In this sense, on the one hand, institutional entrepreneurs mobilise different types of resources to support institutional transformation (Battilana et al., 2009; Hardy & Maguire, 2008), and management accounting systems and practices can be a key resource for leading
planned organisational change (Burns & Vaivio, 2001). On the other hand, the literature highlights an intertwined relationship between institutions and management accounting change because accounting systems embed interpretative schemas (Burns & Scapens, 2000; Busco et al., 2007). Hence, we argue that during institutional transformation in an organisation, it is likely that conflicting institutions and individuals’ actions will affect both the role conferred on management accounting in the institutional change and the process of modifying accounting itself.

Consequently, we propose as our research aim to study both the conditions for and the processes of management accounting change in a highly institutionalised setting, addressing three main questions: (1) Why and how individuals are enable to drive institutional entrepreneurship, specifically, the modification from one stable institutional pattern related to business management and accounting ideas and activities to another? (2) Why and how individuals attribute new meanings and roles to management accounting in the institutional change process? And (3) why and how individuals design and implement a particular new system? To carry out this research, our study focuses on change within a specific organisation by adopting a micro-historical approach (Carnegie & Walker, 2007) to analyse the case of Medina Garvey (MG). MG is a medium-sized Spanish family firm set up at the beginning of the twentieth century in which, at least during the period analysed, the chief executive officer (CEO) has always been a family member and the family has maintained ownership over time.

We chose this particular firm for several reasons. First, long-established family-owned firms can be good examples of organisations with a high level of institutionalisation, at least, until the second generation. This is because any cultural elements first imposed on them by the firm’s founders (Sharma, 2004) are maintained over time through the selection and socialisation of successors (Garcia-Alvarez & Lopez-Sintas, 2001; Hall, Melin, & Nordqvist, 2001) and because owners filter any external influences (Perren & Grant, 2000). Usually, founder invests efforts, time and financial resources to train his/her successor, normally selecting a family member, mainly, from his/her offspring, with abilities to manage the business (Lee, Lim, & Lim, 2003) and with values and norms congruent with the family (Leaptrott, 2005). When children acquire knowledge and values from family, they internalise the world of their parents and accept it as the real world, that is to say, as an objectified reality (Berger & Luckmann, 1967; Zucker, 1977). Besides, when the founder is preparing his/her successor to lead the business firm, a specific role knowledge related to business technical matters is transmitted, because, in many cases, training to allow a successor to manage the firm usually implies the successor learning on the day-to-day organisational practice.

Therefore, if a family firm survives keeping its familiar appeal over time, it is likely that cultural elements will persist. Being socialised, the successor is internally motivated to do what she/he has to do, so the institution constrains her/his behaviour (Zucker, 1977). Thus, institutionalised ways of thinking and doing are likely to persist over time, influencing management and accounting practices. In fact, Tolbert and Zucker (1996) argue that the wider and deeper the acceptance of organisational practices, the harder they are to modify. These highly institutionalised organisational settings then offer researchers the opportunity to explore what conditions enable individuals to break or challenge existing institutions and to promote accounting change.

Second, at the beginning of the 1960s, after more than 50 years of ongoing reproduction and persistence of management and accounting practice in MG, the founder’s successor fostered a radical institutional transformation in management practice, almost 10 years after his appointment as CEO. Subsequent managers promoted the
implementation of a cost accounting system to support this radical transformation. Third, sociocultural and socio-economic context permit researchers to detect external variations and to examine how contextual differences affect both organisations and accounting over time (Carmona & Macias, 2001; Previts, Parker, & Coffman, 1990). In this sense, we are able to document adequately the main features and changes in the Spanish context over the period analysed.

Focusing on internal micro-processes, our study contributes in different ways to the management accounting change literature showing what conditions allow agency in embedded situations. First, we argue that management accounting change drivers are strongly influenced by actors’ interests and by the perception and interpretation that actors make about institutional contradictions or external critical events and their effects on the organisation. Second, we shed light about the interrelated influences that institutions and individuals exert on meanings and roles attributed to management accounting in institutional change, even impelling the implementation of a completely new system to support it. Finally, we illustrate that both process and content of accounting change are moulded by normative influences intertwined with the cognitive schemes of actors involved.

The remainder of the article is as follows. In the second section, we outline the theoretical framework. The third section describes the research method and sources, and the fourth section analyses the evidence collected. The final section provides our main conclusions.

2. Theoretical framework

Structure and agency are mutually constitutive and intertwined. According to Giddens’ (1979, 1984) structuration theory, social systems are made up of human activities that are constrained and allowed by structural properties, being the duality of structure the core concept. Social and cultural elements influence on people’s behaviour and, so, on organisations (Dimaggio & Powell, 1991; Meyer & Rowan, 1977): apart from the influence of coercive mechanisms, organisational members share values, norms and interpretative schemas, and they act according to what they consider appropriate or because they take for granted how they should act in a given situation. Social structures exist by means of social activities reproduced over time by individuals and are embodied in structured activities adopting the form of habitualised behaviour and routines, which reflect the stocks of tacit knowledge shared by actors. Social structures are made up of rules that guide action – cultural schemas (Sewell, 1992) – (techniques, norms and procedures) and resources (authoritative and allocative) that enable action, the means to exert power in social interaction.

Individual actions shape organisations and institutions, even though they are ultimately constrained by institutions (Battilana, 2006). Actions are always situated in time-space and led by a subject; therefore, agency “refers to doing” by individuals (Giddens, 1984, p. 10), whether intentional or not. To be an agent implies to have the capacity to exert some degree of control over social relationships in which he/she is implied and so to have the capacity to modify these relationships in some degree (Sewell, 1992).

Traditionally, institutional theory has been more likely to explain institutional stability than change (Clemens & Cook, 1999; Seo & Creed, 2002). Besides, research has excessively oriented to organisational outcomes of external influences mainly considering institutions as black boxes (Suddaby, 2010), and so, institutional research needs to focus on how new institutions are created or existing ones modified, which is deeply related to institutional entrepreneurship: “New institutions arise when organized actors with
sufficient resources (institutional entrepreneurs) see in them an opportunity to realise interests that they value highly” (Dimaggio, 1988, p. 14). Institutional entrepreneurs are then actors who initiate changes that break with existing institutions and actively participate in their implementation (Battilana et al., 2009), regardless of whether that change is successful (Battilana, 2006).

Intending to solve the paradox of embedded agency, institutional academics have been later devoting greater effort to shedding light on the dynamics of institutional change and highlighting the complexity of its mechanisms (e.g., Barley & Tolbert, 1997; Battilana et al., 2009; Dorado, 2005; Seo & Creed, 2002), particularly, to analyse management accounting change (e.g., Burns, 2000; Burns & Baldvinsdottir, 2005; Burns & Nielsen, 2006; Burns & Scapens, 2000; Englund & Gerdin, 2011; Sharma, Lawrence, & Lowe, 2010). However, the study of institutional entrepreneurship has been mainly at the organisational field level of analysis, such that institutional studies have tended to neglect the individual level of analysis (Suddaby, 2010). Given that individual act in line with their values, norms, interpretative schemas and interests, perceive and interpret situations, and promote and carry out intentional institutional and management accounting change, there is a patent need for more work on individual institutional entrepreneurs in organisations (Battilana, 2006; Battilana et al., 2009). And more specifically in stable institutional settings, where the paradox of embedded agency is considered especially likely to arise (Seo & Creed, 2002).

Seo and Creed (2002) suggest a dialectical framework of analysis to explain radical change, based on what they refer to as institutional contradictions and human praxis. Agents have to interpret these institutional contradictions to motivate institutional change as their perception of threats and opportunities in the environment enables them to drive change (Chung & Luo, 2008). Other suggestions of institutional change’s origins related to endogenous drivers (Englund & Gerdin, 2011) are related to the reflexive analysis made by agents about the unintended consequences of previous actions carried out by them or others, analysis that actors can use to start future actions.

Moreover, a number of studies about institutional transformation rely on exogenous critical events as the triggers for propelling individuals to initiate the change. However, research is required to fill the gap about internal micro-processes; that is to mean, to explain how actors convert these events in change triggers (Englund & Gerdin, 2011). Thus, institutional scholars need to focus on organisations as “interpretative mechanisms that filter, decode and translate the semiotics of broader social systems” (Suddaby, 2010, p. 19).

Institutional entrepreneurs also mobilise different kinds of resources to support radical institutional transformation. The literature recognises that management accounting systems and practices are a crucial resource for driving planned organisational change (see, e.g., Burns & Vaivio, 2001) and that as with other control systems, a completely new system can be implemented to support institutional change (Abernethy & Chua, 1996; Barley & Tolbert, 1997; Burns & Scapens, 2000). In fact, they can be employed actively and skilfully to start organisational and institutional transformations (Abrahamsson & Gerdin, 2006).

However, since existing management accounting systems and practices are regarded as “constituting relatively stable organisational rules and routines, which encode ‘taken-for-granted’ issues at the institutional level and become enacted in the realm of action” (Lukka, 2007, p. 77), and so they embed prevailing institutions, it can be sometimes difficult to employ them to support radical institutional change over time. But actors have the capacity to reinterpret or attribute meaning to resources to be provided with power to
bring about change (Sewell, 1992); therefore, scholars need to understand more properly when, why and how organisational actors make decisions about conferring on management accounting such as role on the transformation process (Burns & Baldvinsdottir, 2005). Management accounting change is a complex and ongoing process strongly influenced by structural properties and individuals. External and intra-organisational institutions shape this process in that although the selection of a new accounting system by managers may appear quite intentional and rational, current institutions will influence its selection, design and implementation (Burns & Scapens, 2000; Busco et al., 2007; Siti-Nabiha & Scapens, 2005). In addition, during a period of intentional change it is likely that conflicting institutions will interact dynamically with management accounting change. In fact, institutions can strongly influence the importance conferred on management accounting in the process of organisational transformation, enabling it to either perform or limit a key role, and so affecting accounting change. However, institutions are not the only determinants of management accounting change as individuals (agents) also perform an important role (Burns, 2000; Granlund, 2003; Moilanen, 2008), even though they are constrained and allowed by institutions in which they recursively enact.

3. Research method

Our research is based on a historical case study because both the institutional and the management accounting dynamics are likely to require longitudinal analysis, and, since social structures have only a virtual existence, researchers cannot directly observe them as such (Englund & Gerdin, 2008). Therefore, researchers “have no choice but to try to extract what they look like through studies of ongoing local practices, or retrospective studies of the traces they leave in different kinds of artefacts” (Englund & Gerdin, 2011, p. 584). This longitudinal historical perspective (Wickramasinghe & Hopper, 2005) allows us to analyse the influence of external and internal factors on both institutional and management accounting change (Carmona, Ezzamel, & Gutiérrez, 1998). Further, as the focus of institutional theory is path-dependent analysis, research can benefit from a deep analysis of organisational history when examining institutional dynamics at the management level.

The firm studied is a family company established in 1904, where the CEO promoted an intra-organisational institutional change at the beginning of the 1960s, and in 1964 the managers implemented a new cost accounting system that was consolidated in 1969. We have used mainly primary sources from the Archive of Medina Garvey (AMG) with documentation grouped and classified at the creation of the archive in 2004 (López, 2006). The accounting section in the archive is one of the most representative parts of the archive and covers the period 1904–1969.

As we intend to integrate “social constructionism with a moderate form or realism” in order to validate our explanations in this research (Lukka & Modell, 2010), we have also drawn upon secondary sources along with the information supplied in the primary sources. More specifically, we carried out oral history exercises with those who experienced the changes in MG between 1960 and 1969 at first hand and who are still living. Despite being of limited number because of the years elapsed, these interviews have enriched our comprehension about both the changes and the views of some of the key organisational participants. We recorded and transcribed three interviews, each of approximately 1 hour, with Mr. Manuel Carrasco, financial manager in 1964 and general manager in 1969; also with Ms. Blanca Medina, granddaughter of the firm’s founder, who was in charge of social work services in the firm at the beginning of 1960 and is currently a member of the
management board; and with Mr. Javier Medina, grandson of the firm’s founder, who entered the firm in 1961 and was promoted to CEO in 1964.

4. The Medina Garvey case study
Onwards, the case study is structured as follows. First, the research analyses the impression of the founder’s values and the external influences on the firm. Second, it argues both the institutionalisation of management and accounting practices and the socialisation of the founder’s successor and analyses the conditions for and processes of institutional entrepreneurship. Finally, the article focuses on the management accounting change impelled by the previous intended institutional change, examining why and how management accounting was ascribed a new organisational meaning and role and therefore the drivers, design and implementation of the new system.

4.1. The creation of the institution: the founder’s cultural impression on the firm
MG is a private firm founded and originally owned by Mr Luis Medina Garvey (1870–1952). Born into an aristocratic family in Seville, Luis Medina Garvey studied law, being in this sense unlike many other Spanish aristocrats who mainly lived on the rents obtained from their properties and, in most cases, did not study at all (Tortella, 1997). At first, Luis Medina was an owner of land dedicated to the cultivation of olives, but in 1910, the founder started a complementary industry in milling and refining olive oil. Reflecting the economic austerity at the beginning of the twentieth century in Spain (Pérez, 1996), Luis Medina managed his firm to be self-sufficient through complementary activities and the internal training of staff when needed. Over time, MG gradually increased in size and complexity, although, as was usual in Spanish farming, growth came mainly through increasing the number of workers, with little automation. By the 1940s, MG was producing electricity, soap, olives, wine and oil, running a carpenter’s shop and engaging in service activities and public and goods transport, and had introduced several pioneering farming activities in the area, with new crops (cotton, tobacco, beetroot and the castor oil plant) and a new class of wine (Journal of 1940–1942, AMG, Box 336).

As a man of his day, MG’s founder was a man of strong religious values and beliefs, and in accordance with these, he was deeply involved in improving the quality of life for the inhabitants of the village where the company was located, of which he twice became mayor. He could be labelled as a cacique in the village. The caciques have exercised great power in villages, although they have usually operated without the authority of official appointments by the government. Far from being representative of an absolutist regime, the influence of caciques was derived not from any legal legitimisation but rather from custom, exerting a kind of paternalistic way of governing (Banos Sanchez-Matamoros, Lopez-Manjon, Carrasco, & Funnell, 2013). He sponsored the construction of houses and a school and also promoted the creation of employment opportunities, both in his firm and in the village, even encouraging workers to buy land from him to set themselves up as small landowners (López, 2006; Medina, 1975, 2004). The evidence we collected suggests that his core values included austerity, responsibility, discipline, control, effort, autonomous learning and social solidarity. As typical in family firms (Dyer, 2003; Garcia-Alvarez & Lopez-Sintas, 2001; Hall et al., 2001), these values pervaded his style of business management and therefore defined MG’s goals and the means appropriate for achieving them.
In addition to values and norms (the normative element), institutions are also composed of regulative and cultural-cognitive elements (Scott, 2001). The regulative element involves rules, controls, procedures and rewards/punishments established to influence behaviour, whose mechanisms can be highly formalised or not. In MG, the founder exerted personal control in keeping with his personal values, and he gradually came to trust his managers’ judgement. Luis Medina carried out ongoing direct surveillance (i.e., speaking with workers, listening to customers and visiting farms and factories) and made detailed use of accounting, but mainly for controlling the firm’s credits and debits. We have not found in MG’s archives any procedural manuals relating to management or accounting, with the exception of Bofill’s Didactic, Theoretical and Practical Treatise on Bookkeeping (1916), an accounting manual written by a business teacher. We therefore infer that the company’s rules and procedures mainly existed as stocks of knowledge inside the minds of Luis Medina and the other firm managers, based on learning from day-to-day experience inside the firm but not reflected in any formal rules, although they provided guidance and reference for management accounting practices (Quinn, 2011).

Luis Medina monitored the firm’s external transactions by means of financial accounting, but he did not appear to have an information system to monitor the efficiency of the various activities undertaken by the firm and to coordinate them or to make decisions. In their study of agricultural accounting in Catalonia, Planas and Saguer (2005) suggest that this was a common deficiency at the time. This period in Spain was also characterised by a lack of management techniques and education in cost accounting (Amat, Carmona, & Roberts, 1994).

The cognitive element of institutions (Scott, 2001) relates to symbolic representations. Cognitive or interpretative schemas are knowledge structures whereby organisational members perceive the world; these schemas then inform members how to interpret and proceed in a certain situation (Ranson, Hinings, & Greenwood, 1980). In Friedland and Alford’s (1991, p. 248) words, each institutional order has a “...central logic – a set of material practices and symbolic constructions – which constitutes its organizing principles and which is available to organizations and individuals to elaborate.” The relationship between symbolic constructions and material practices is mediated by cognitive schemas or meaning frameworks and behavioural roles – values and norms (Misangyi, Weaver, & Elms, 2008). In turn, Lounsbury and Crumley (2007, pp. 995–996) define practice as “...activity patterns across actors that are infused with broader meaning and provide tools for ordering social life and activity” and institution as “...sets of material activities that are fundamentally interpenetrated and shaped by broader cultural frameworks such as categories, classifications, frames, and other kinds of ordered belief systems.”

In MG, the founder was the key agent related to management activity patterns, a feature that facilitates our observation of these patterns. Luis Medina managed using a paternalistic style, for both his family members and the village, with personal control and decision-making processes. MG’s management techniques, norms and procedures as rules that lead action in social structures (Giddens, 1984) therefore reflected the values, assumptions and knowledge imposed by the founder as well as any wider external influences. These included, on one hand, the prevailing economic, legal and technical aspects of the age in Spain, with a focus on austerity, management based on common sense and autonomous learning, a lack of scientific techniques regarding cost accumulation, planning and decision making, and accounting systems centred more on book-keeping and monitoring but not on activities coordination. On the other hand, they included social and cultural-cognitive influences. Evidence shows the confluence in MG of three social systems (in terms of the ideal types proposed by Whittington, 1992), namely, communal,
domestic and economic, with their specific dominant structures, ethnicity or religion, family and capitalism, respectively. These social systems supplied the founder with critical resources – networks, patriarchal authority and capital ownership – to apply to the management of MG. However, the fundamental rules of solidarity and paternalism (related to the first two systems) predominated over profit maximisation (related to capitalism).³

Both the firm founder’s values and the external influences of this period in Spain favoured his active and intentional involvement in practices related to control centralisation, solidarity and paternalism.⁴ The conscious connection of these practices with their results gave him legitimacy and avoided conflict with rules based more on the market. As a consequence, an institutional logic specific to MG made the founder focus his decision-making process on a delimited set of issues and solutions (Ocasio, 1997), a logic that was reproduced over time by means of resources that supported and embedded this logic (Misangyi et al., 2008). The resources commanded by the founder, including the capability to act and the means to exert power, were the physical goods used and the productive means and knowledge applied to them – “allocative” resources in Giddens (1984) terminology. They also included the capabilities and skills to organise and coordinate social life in the firm (the authoritative resources), including the governance system, personal control, trust and accounting.

4.2. MG at the beginning of the 1950s: the succession

The founder’s sons were working actively in the company management once they finished their university studies. Each son was in charge of a separate business line but supported by managers that Luis Medina trusted (Medina, 2004). In 1938, when MG became a limited company, Luis Medina granted shares in the company to his six sons and daughters. When the founder died in 1952, Rafael Medina, his eldest son, was appointed managing director, and the other shareholders gave him wide authority to manage the company (he was appointed CEO), though the remaining siblings were also part of the new board. Rafael Medina kept on the same non-family employees who had been working with his father as managers, thus also retaining the practical knowledge they held.

In 1952, Rafael Medina inherited a firm featuring a paternalistic management style and an absence of professionalism, which had worked well during the past with times of scarce resources and the need to be self-sufficient. Reinforced through almost 50 years of continuous reproduction and the control exerted by the founder, this management practice was fully institutionalised in the organisation and was embedded in both the behaviour of the top managers and the accounting system. In fact, although Spanish socio-economic and politic context along the first half of twentieth century suffered great variations and shocks, including a Civil War (Zambrana, 2006), our evidence clearly shows the continuity of the management and accounting practice in MG. Besides, in his first few years of management, Rafael Medina’s behaviour was greatly influenced by his family links and his work at MG alongside his father. Blanca Medina observed “In principle, he maintained the same style of management, I believe, the same style with the same spirit of his father,” while Rafael Medina asserted in the book he wrote in his father’s memory (Medina, 1975, p. 177) that:

[Luis Medina] wished [that after his death] his firms would continue achieving the main aims for which they were founded. . . . All of us managed to follow his wishes.
Like his father, Rafael Medina held strong Catholic values and beliefs (Medina, 2004) and maintained the commitment of firm management to social affairs. He fostered the building of houses and the enactment of MG’s first collective bargaining agreement, which included the implementation of a social services department to supply workers with social services like home loans, study grants, adult education and a company store. In addition, he continued to promote the expansion that MG had first experienced during the first half of the twentieth century. In fact, in 1956 the firm completed the oil cycle through the establishment of an olive oil refinery and began to export olives to the United States. Nevertheless, production procedures and techniques were still mainly labour-based. The reporting of the accounts were also only to the top management, a clear legacy of the personal control exerted by the founder.

Nonetheless, in spite of having been socialised previously (Zucker, 1977) by means of both his involvement in the company and his family life, and hence constrained to maintain the management style imprinted by his father, Rafael Medina promoted a divergent management change in MG. As Suddaby (2010) argues, for an institutional sight the understanding about what was the motivation for intending to change the business management style than the change content itself is more important. In this sense, why and how did the CEO manage to act as an institutional entrepreneur? We argue that his position in social ties together with factors related to organisational field conditions and his characteristics as a key agent, including his interest in change, enabled him to promote management change.

4.3. Institutional entrepreneurship in MG

When Rafael Medina was named CEO, MG was a medium-sized company that had become increasingly complex, conducting both farming and industrial activities, but with serious financial and profitability problems associated with both this expansion (Analysis of the MG Economic Situation, AMG, 1964) and operating in a more competitive environment. The external economic scenario in which the company engaged after the mid-1950s was completely different from previous experience. The ongoing economic crisis, caused first by the Spanish Civil War and subsequent isolation during and after World War II because of the alignment of Franco’s government with Hitler and Mussolini, led autarchy and state intervention to become the basis of the ideological, political and socio-economic order in Spain (Pérez, 1996). However, this isolation began to end after the 1953 Pactos de Madrid (Agreement of Madrid) with the United States. At this point, Franco’s government started to interact with other countries, not only in terms of commodity trade, but also in ideas and policies. Especially since 1959, when the government carried out a complete economic policy reorientation by means of the so-called Plan de Estabilización (Stabilisation and Liberalisation Plan), beginning a period of a slight opening-up to the outside world and a new competitive context for Spanish companies. Overall, this was highly beneficial for the Spanish economy, with a per capita GDP growth (Prados, Rosés, & Sanz-Villarroya, 2012).

However, the primary sector grew much less (San Juan, 1990). Consequently, many businesses closed down – including more than half a million farms between 1962 and 1972 – industrialisation increased, many people from rural areas left farm work and went to the cities in search of employment, and new competitors emerged (e.g., in the markets for both olives and olive oil). The situation at some of the larger farms improved, but because of the relatively high cost of labour, these estates aimed at improving their profitability and modernity by means of automation (Pérez, 1996; Zambrana, 2006), although this was
more difficult with crops such as olives or grapes because of their innate characteristics (Ortega, 1983). As evidences about this situation, in 1957, the director of the Instituto de la Grasa (Institute of the Oil) asserted that the main problems affecting Spanish oil sector were its “inadequate profit margins [and the] need to import modern machinery and to have a deeper scientific knowledge” (ABC, 3 November 1957). Besides, contemporary newspaper reports showed “the need for agricultural organizations to think and act in order to know themselves, their situation, their needs and their future” (ABC, 15 February 1959). Moreover, even the Minister for Agriculture in 1959 declared that “our traditional agrarian structures [require] a radical change […] that allows the farmer to rationalise production and working systems” (ABC, 10 June 1959).

This agricultural crisis, in conjunction with MG’s organisational size, complexity and existing management style, seriously harmed the firm’s financial and economic health. Also, new ideas about organisations, entering Spain from abroad via consulting firms and business schools, began to conflict with the traditional management perspective. Kipping and Puig (2003), for instance, argue that the demand for consulting services in Spain shot up after liberalisation and business modernisation began in the middle of the 1950s. About this, Manuel Carrasco states that around 1960s in the area where MG is located consulting firms were visiting companies and offering their services. In that time, there was a very important movement of people offering them.

When family businesses grow over generations, family members may be unable to manage a more complex firm (Aronoff, 2004). For example, the firm may need more sophisticated systems or analysis and a more professional management style than is usual in the first generation (Filbeck & Lee, 2000), thus requiring more non-family members in top management and the services of outside consultants (Lussier & Sonfield, 2006). Thus, motivated by the uncontrolled growth of the company and the main changes that Spain was beginning to suffer, in 1958, MG hired a consulting firm, TEA, to rationalise the work in the firm and to improve the use and assessment of equipment and inventory. Later, in 1959, TEA advised MG to implement productivity systems and an incentive scheme and organised training courses for MG’s middle managers.

MG selected TEA for this purpose because one of its senior managers and chief Spanish partners (Kipping & Puig, 2003) was a close friend of Rafael Medina and, like Rafael Medina, enjoyed high social and economic status in Spain; also, they shared social values based on Catholic doctrine. This friend had valuable business knowledge and skills and was a member of a pro-American lobby focused on “…promoting the professionalization of firm management and the communication between businessmen and managers” (Puig, 2003, p. 120) and likewise one of the promoters of the foundation of a prestigious Spanish business school by mid-50s. As Pérez and Puig (2004) point out, trust was the main way to widen the strictly familial circle to friends and colleagues who shared the same values and culture (see also Colli, Fernández, & Rose, 2003). In terms of the actor’s positions in social networks or ties (Battilana et al., 2009) – the set of people to whom actor is directly linked (Dorado, 2005) –, this surely affected Rafael Medina’s perception of the context and their access to resources. On the one hand, it allowed him to consider transformations undergone by MG’s organisational field and how these would affect the future evolution of the firm. Its organisational field was mainly comprised by State, suppliers (mainly farm workers and small landowners), customers, competitors, consulting services organisations, and in a wider social context the local community (the village where the company was located) and the Spanish society. This contact also influenced
Rafael Medina to make a practical judgement, oriented to both the present and the future (Emirbayer & Mische, 1998), that the new Spanish context constituted a threat to MG, given the firm’s critical economic and financial situation, together with the inadequacy of its traditional management practices. The Appendix shows, through summaries of the statements in his annual speeches, that Rafael Medina was conscious of the external threats to MG associated with the economic transformation that Spain had undergone since at least 1957. On the other, in addition, his social position provided him with access to specific business knowledge and the consulting firm (TEA), resources necessary for him to carry out the management change.

With regard to individual characteristics, Rafael Medina had other activities that restricted the time he could devote to the management of MG: he owned another firm, had his own personal responsibilities and managed the Dukedom of Medinacelli. In addition, as the founder’s eldest son and successor, Rafael Medina had a moral duty to watch over the family’s socio-economic interests in the firm. His own socio-economic status and that of his family, as well as the status of MG, motivated the search for solutions to the company’s problems. Therefore, the CEO had an interest in a fundamental business management change, insofar as change motivation, commitment and orientation, although strongly influenced by the family institutional sphere, with its interest related to values and ideas.

Moreover, taking into consideration organisational and family spheres, Rafael Medina had a formal authority and an informal network position that allow him to mobilise the needed resources to support this change. Formal authority came from his hierarchical position in the firm as CEO. This position gave him enough power to act, as information and the control and decision-making processes were restricted to top managers. His network position included both family and organisational links. Regarding the former, he, as the founder’s rightful successor and a family member, had supports to initiate the change from the board; concerning the organisation, he maintained the same managers who had previously worked with both him and his father, that is to mean, people in whom he could trust. These capabilities to act were reinforced by a discursive strategy (Battilana et al., 2009; Greenwood & Suddaby, 2006; Seo & Creed, 2002) that took advantage of his rhetorical skills. As the Appendix shows, on the one hand, he claimed that the combination of economic threats with existing management practice caused serious problems for MG, workers and the village, a discourse that emphasised the current and future failures of the existing management practice and therefore deinstitutionalised it. On the other hand, he asserted that a modern and rationalised management would be able to succeed or, at least, avoid problems, a discourse that institutionalised the intended changes by justifying them (Goretzki, Strauss, & Weber, 2013; Suddaby & Greenwood, 2005). For example:

> We are immersed today in a setting of environment change, in the national economy, because state intervention in production and pricing has practically ceased and therefore our production must evolve to fit technical economic standards that enable us to subsist in the oncoming trade war […] we see a need to pause and meditate, to study and project suitable and rational production formulae in order to obtain economic and technical improvement. (Saint Amelia’s Day speech, 1959, emphasis added)

If we do not find an adequate solution to this situation I must confess I am pessimistic as to the not too distant future […] we must act […] accepting the need to take measures [retirements, layoffs. . .] forsaking the paternalistic spirit that has always characterized us. (Saint Amelia’s Day speech, 1964, emphasis added)
From such speeches, we can extract that Rafael Medina gradually became conscious of MG’s lack of efficiency and control. As we have argued, efficiency gaps and an institutional crisis caused by the new economic scenario and the traditional management gradually promoted praxis (Burns & Baldvinsdottir, 2005; Seo & Creed, 2002), that is, an intentional search by the CEO for solutions outside the existing institutional framework. A deep institutional contradiction then arose between the traditional logic applied by MG managers (mainly paternalism and self-sufficiency) and the new logic brought to Spanish business by modernisation (professionalism and economic results). We note this clash in Rafael Medina’s words about productivity, improvements, quality, rational means, markets, business management, competition, retirements, layoffs, discontinuing unprofitable firm activities and so on (see the Appendix). The institutional logic underlying these concepts then contradicted the logic based on the values imposed on the firm by the founder and recursively reproduced in MG’s management. The CEO used rhetoric as “…the means by which shifts in institutional logic are secured” (Suddaby & Greenwood, 2005, p. 35), in such a way that his rhetorical strategy was consciously directed to exploit these institutional contradictions, making the conflict clear and persuading others about the need to modify existing management practices. Therefore, Rafael Medina’s action as an institutional entrepreneur shows an understanding of the context of his action and the three main components of praxis pointed out by Seo and Creed (2002) and Burns and Nielsen (2006) in the management accounting context: self-awareness, mobilisation of resources and action.

All of these reasons caused Rafael Medina to promote the gradual professionalisation of MG’s stagnant management. In 1960, he hired a labour and tax accountant, Manuel Carrasco, who was also a lawyer with experience in other farming firms and was subsequently promoted to financial manager in 1964 and general manager in 1969. However, professional management in family business frequently requires both formal and cultural competence (Hall & Nordqvist, 2008), the former relating to education, training and experience and the latter to “an understanding of the family’s goals and meanings of being in business” (Hall & Nordqvist, 2008, p. 58). Searching for this cultural competence, in 1961, Rafael Medina appointed his nephew Javier Medina, an engineer without managerial experience, as both personnel manager and his personal assistant. Later, in 1964, Javier Medina was appointed CEO. Because of his initial lack of management experience, Manuel Carrasco became his right-hand man. Together, they made some minor management changes. For instance, they implemented the first collective bargaining agreement, established the personnel department and developed an organisational chart for MG, establishing new managerial posts and spreading responsibilities within the firm.

Pressed by the difficult situation, and especially by Javier Medina, in 1963 MG rehired TEA to carry out a thorough analysis of the economic situation of the firm for the last five farming periods (Analysis of MG’s Economic Situation, AMG, 1964, Box 314). We can summarise the main conclusions of this study, completed in January 1964, as follows. First, because MG did not have a system to assess its considerable and varied inventory and account for depreciation, inventory figures were not very representative and, therefore, the results did not reflect how well the firm had been doing within a given farming year. Second, over the years the organisation had increased in complexity and heterogeneity, causing a serious imbalance between its productive and commercial capacity and lowering profits. Finally, in recent years MG had had to resort to short-term loans to finance its activities, dramatically increasing its interest payments and the risk of default. On this basis, TEA advised MG to control and manage some business lines
separately and to abandon others. More generally, TEA recommended that MG rationalise its management and accounting activity.

At the time, Javier Medina did not carry out any radical change because the firm’s managers had not enough knowledge and information to make these kinds of decisions. That is, neither management nor accounting could respond to MG’s new needs. Manuel Carrasco asserted that when he started to work at MG,

That was done by hand-writing on paper, which, probably, was done well, but it was not controlled... When you worked with a high margin then things usually worked well, but when the margin was much reduced then things could go well or not... We noticed where we were losing money... you know things intuitively but you cannot make decisions, [because] you can be wrong twice.

To increase his knowledge about business administration, acting upon his own initiative and encouraged by his uncle, Javier Medina attended several formal business courses and specifically requested an official grant to attend a management course in Paris. After he had been there for about a year, in 1965, Rafael Medina persuaded him to return with his new technical knowledge and ideas. In Javier’s own words,

I started really to realize... the firm’s problems at a high level... The course taught matters related to personnel, production, marketing, and sales... I extended my grant six months more... I chose to study statement analysis. This was the first time I heard about *tableau de bord*... it was the basis for management... to have always a dashboard in front of you that shows you how the firm is performing. I was delighted about this world and I was tempted to stay in Paris to work... then I said to my uncle I was not going to return, but [the family] asked me to please return. The condition *sine qua non* I established was to start the plan suggested by TEA... if not, I would not return... they accepted my conditions... the first necessary thing was to have reliable accounting. The [existing] accounting was useless, when you noticed the result, it was so old that its use was futile... [Accounting for me at MG] was a crying shame... and I came to TEA, I turned to the man who made the critical analysis.

4.4. The management accounting change

The need for a cost system, to both monitor and make decisions, was detected externally, as shown in TEA’s reports, and internally.

When we started to control, we could not monitor because there were not any kind of report... we said “let’s see what is happening” and we saw that there were no data... the only data referred to 30th June... there were no [monthly] trial balances... only purchasing and sales... and, on the other hand, the internal management was performed by people... given their great knowledge about activities, their notes and their touch with the market... but when a market has been tightened and margins are shrinking you have to manage with other data. (Manuel Carrasco)

At that time, Javier Medina was a 30-something managerial novice who was going to be in charge of the top management of a firm that was currently suffering serious problems. As he could not trust his own experience, Javier Medina, together with Manuel Carrasco and with the support of the board, decided to use management accounting to modernise MG and to support the new management. In this sense, agency was related to rationality, although this rationality was institutionally created by the social interaction of agents (Meyer & Rowan, 1977). Rationality arose when Javier Medina compared the firm’s lack
of management accounting with the potential of these systems, thus taking for granted the normative induction he received in Paris.

In addition to these “grounds of action” (Giddens, 1984, p. 6), Javier Medina had a strong motivation to promote the accounting change. As he explains,

If [the recommendations of TEA] were what had to be done, they were what had to be done. I would work, I would struggle, I would do whatever possible, but, of course, if they were not done … I was not going to be up to the neck at thirty-two years old.

Once up to here, Javier Medina and Manuel Carrasco decided to implement a new costing system. They relied on TEA for its design and implementation, believing that this would ease the break with traditional concepts and knowledge (Burns & Scapens, 2000):

We could not do it [implement the new system]. The correct thing is for an outsider to implement it. An outsider teaches you more things than ones you know. (Manuel Carrasco)

Therefore, to change MG’s management, the CEO had to mobilise both external expertise about technical matters, i.e., TEA and Manuel Carrasco, and family-based cultural competences, in the form of Javier Medina, which, in turn, promoted the creation of the management accounting system. The process of selection of the new accounting system was shaped by cognitive and normative elements together with the agent’s motivation (Burns & Scapens, 2000; Siti-Nabiha & Scapens, 2005) in a twofold sense. First, they strongly influenced the importance conferred on management accounting in the process of institutional transformation as the most important and needed resource for action and so encouraged accounting change. Hence, as literature puts on evidence regarding control systems (Abernethy & Chua, 1996; Barley & Tolbert, 1997; Burns & Scapens, 2000), the new management system was considered to support institutional change over time constituting a practical resource for intentional actors (Ahrens & Chapman, 2007).

Second, these elements later influenced new accounting system’s selection, design and implementation. MG did not exactly apply the model proposed by TEA in 1963. As the original document pointed out, that was a first draft that TEA would have to adapt to meet MG’s characteristics and requirements. Following an initial phase of analysis and manager training, a number of TEA employees worked for several months on implementing the new system, which required an important investment, not only in professional fees, but also in a very expensive computer lending. In 1965, TEA gave managers a basic instructions guide for using computerised accounting cards (Computerised Journals, AMG, Box 836).

This new costing system was based strongly on the use of cost centres or pools, following the French doctrine of sections homogènes (Lebas, 1996; Mévellec, 1995; Zinnovitch, 1997). The new cost centres corresponded to product lines and/or production sections, divided into main and auxiliary sections in order to allocate indirect expenses to lines and product cost. In cost centres, indirect costs related to the resources consumed by each centre were charged, and these costs later allocated to products or even other centres according to how many work units (a kind of cost driver) they consumed. Through this new system, all the activities performed and products produced at MG could be controlled by allowing calculation of the cost per unit of product (Report of TEA, 1964, AMG, unclassified).

The system was based on a contribution margin approach, where costs were classified as variable or structural. To formalise this process, TEA suggested that MG should use a
predetermined scheme of accounts based on a monist system, which included managerial and financial accounting, and applying a mirror account system. The system was also designed to use standard costs, thus allowing managers to undertake variance analysis (Internal Memos, AMG, Box 1892).

The evidence analysed suggests that the costing system implemented in MG was greatly influenced by French doctrine and, to a certain extent, by ideas from the United States. For example, the Chart of Accounts developed for MG resembles the French Chart of Accounts in both its structure and the codes and titles for many accounts, for example, pérdidas y ganancias (profit and loss). A handwritten note dated 1967 explaining the new structure of the profit and loss account uses the term cuadro de mando, the Spanish translation of the French tableau de bord, a concept that at that time was more popular in France than elsewhere. The new system issued monthly reports that made up a kind of tableau de bord that was linked deeply to the cost system and displayed profit margins and cost data a nd graphs showing the evolution of results for each business line.

Manuel Carrasco suggests that “[T]he implemented model] was American, but it is possible that TEA developed it from a French model. I remember they said ‘It is going to be the French Chart of Accounts’ but it was not the French Chart of Accounts . . . I think they adapted it.” Although we have been unable to draw a link between the French and this US influences, we suggest that TEA interacted with concepts imported from France by Javier Medina to mould the new costing system. In evidence, Bjornsenk (1997) and Malmi (1999) have argued that consulting firms and business schools influence management accounting change, and in Spain this influence was intensified by the lack of systematic management techniques and business knowledge (Kipping & Puig, 2003; Puig & Fernández, 2003). Accordingly, we consider that Javier Medina’s formal management education gave him ideas opposed to traditional accounting and management practice – ideas that subsequently entered MG when he returned to the firm in 1965.

By using cost centres as responsibility centres and gaining tools to trace cost to products, services or business lines, managers acquired, for the first time since MG became more complex, an overview of processes, cost consumption (variable and fixed costs), results, product mix, and so on. The use of cost centres (productive or supportive) as the cornerstone of the costing systems allowed managers to perform activity analysis (Mévellec, 1995), which in MG was also imposed by the process of fixing standards, this being, as Gosselin (1997) for example argues, of great value to the organisation. Because this was the first time that accounting spread through the organisation beyond the top managers and the accounting areas, concepts related to the new system, like “cost centres,” “standards” or “deviations,” acquired existence and meaning for managers. This new visibility involved people’s behaviour, assessed by means of the comparison standard versus actual data, both monetary and non-monetary (Internal Memos, AMG, Box 1893).

The new system required a deep change in the accounting processes at MG, hitherto unchanged for more than 50 years. MG formalised and integrated information flows and, for the first time, elaborated a procedures manual and specific accounting rules, creating a cost accounting office and setting penalties for the violation of reporting rules. These sanctions made clear the importance managers attributed to accounting for supporting the process of institutional transformation (Internal Memos, AMG, Box 1892).

Problems associated with the implementation process also appear to have motivated MG’s board to become more involved in this new accounting system. Thus, the general manager sent a memorandum to all sections with a “Plan to be followed for the delivery of documents and the assembly of the Balance 1967/68” (Memorandum from the General Manager to All Sections, June 1968, AMG, Box 925). The plan stated that everybody
should submit the information needed for the balance, stressing the need “to observe the established dates for the delivery of documents.” It also included standard charts for better control of the placing of orders, as in a memo dated 27 September 1965 from the general manager of MG to the chief of the forge section (AMG, Box 925).

In addition, Javier Medina and Manuel Carrasco designed, and appointed people for, a parallel network to report accounting data in an effort to avoid problems with the traditionalist senior managers:

One of the problems was to trust persons in charge . . . firstly, that the person had understood the program . . . secondly, that he did not lie to you, intentionally or not . . . it was very hard. Or you fired everyone, retired every manager . . . but you could not retire them because they were the very hands and feet [of the firm] . . . The only thing we could do was to create a parallel network . . . TEA trained [young] people whom we had chosen [to report] in our internal organizational chart . . . and it controlled the first steps. (Javier Medina)

At first, traditionalist senior managers were a little reluctant to use the new system, surely because of the existing interpretative schemas shared by people anchored in the old management and accounting (Burns, 2000). In response, MG placed new key personnel, trained by TEA, in each main business line to report data. Many of these new personnel were sons of managers or reliable people who, not being as traditionally socialised as the previous managers, were more likely to support the change. This evidence makes clear the influence of institutions, as existing institutions moulded the solutions intended to change them.

The new system demanded new data, both standard and actual, to be supplied by every cost centre manager. In fact, the number of internal documents MG needed, for example to allocate costs from auxiliary to productive centres, increased dramatically compared to the old system. Monitoring also extended beyond financial figures to allow knowledge of industrial accidents and the hours lost due to accidents or employee illness. Despite a somewhat rushed implementation (accounting year 1965–1966 was the first cycle using the new system), it took employees some time to consolidate their knowledge. Finally, and although Sulaiman and Mitchell (2005) argue radical management accounting change is relatively less successful than incremental one, by 1969 the system was running normally and regularly, and as Manuel Carrasco states

[The cost system] worked and it is still working in the same way, improved, but now . . . cost centres have been until not long ago.

Results [of the implementation] were fundamental . . . they lasted forever.

5. Conclusions

The research focus of our study is mainly on the causes why management accounting was conferred a fundamental role in business management and how management accounting changed to play it. In a highly institutionalised embedded context, this accounting change was closely related with intra-organisational institutional entrepreneurship. As for the main conclusions from the MG case, this study first shows how individuals are enabled to act as institutional entrepreneurs and how structures and agency play a mutually constitutive role in fostering and shaping management accounting change. Our findings are far from considering institutional entrepreneurs as “hypermuscular supermen” (Suddaby, 2010, p. 15). Instead, we argue that inextricably linked external political and economic factors,
together with internal efficiency gaps, encouraged MG’s CEO to question existing institutional arrangements at the organisational level, i.e., the traditional business management practice, and later to promote institutional change, motivated largely by family and personal interests. In accordance with the arguments in Dorado (2005) and Battilana (2006), the actor’s social position was the key to institutional entrepreneurship. That is, Rafael Medina’s direct links with TEA’s managers opened MG to external influences, and these helped him to be a knowledgeable actor about his understanding of MG’s context and so to act: perception of current and future situation of MG’s organisational field, opportunities to act and the means to solve the firm’s serious management problems. Other conditions – the CEO’s personal skills, his moral obligation to the family and his limited time to devote to the firm – also helped and impelled him to mobilise social and material resources.

Our evidence partially aligns with Seo and Creed (2002) arguments combining institutional contradictions and praxis to explain radical change. We argue that the agent promoted the transformation in management practices willingly and consciously. However, we suggest that the praxis was not completely “free and creative” (Seo & Creed, 2002, p. 225), because the agent’s action was strongly influenced by his context and gave rise to consequences mainly related to the subsequent management accounting change. Hence, technical considerations, interests and rationality were institutionally moulded in such a way that institutional logic influenced the entrepreneurial process.

In addition, although Seo and Creed (2002) explicitly exclude from their arguments institutional changes promoted by powerful actors, and although the family business literature argues that successors are likely to reproduce and maintain social arrangements, our evidence indicates that the CEO was the main promoter of MG’s institutional change. Powerful actors (e.g., top managers) are likely to mobilise resources for change, and in this case, the CEO had enough formal authority and supports to act, but he had to acquire human resources and specific knowledge to do it by means of his social links derived from his position in the social life of his age. Without these resources, the agent would not have had the necessary power to promote and carry out institutional change.

As our research aim, this case sheds light on how management accounting could become what it had not been before: a crucial management tool. Institutional entrepreneurs mobilise different types of resources to support institutional change (Battilana et al., 2009; Hardy & Maguire, 2008). MG’s CEO tried to break with an old-fashioned, paternalistic business management, rooted in a historical path begun by the founder, by promoting new professional managers and mobilising resources such as accounting. This management transformation required new knowledge and accounting data that the existing system was simply unable to provide. Because of the promotion of Javier Medina – generally uninformed about business but a culturally competent manager – and his later stay in Paris, new managers conferred on accounting a key role in changing management practice. Management accounting change was then not autonomous, rather inextricably linked to intentional and radical institutional change. Therefore, we argue that both exogenous and endogenous influences were the accounting change drivers, although in a very complex way; in this sense, an research bias emphasising external influences would have overlooked the micro-process by which that influences and internal factors (including individuals) collaborated into transforming accounting. The implementation of the new cost system was not a primary goal when the CEO decided to transform deeply the extant business management, and hence its subsequent change was, at a certain extent, an unintended consequence of the CEO’s decision of transforming the institution. This accounting change allowed
MG to have, for the first time in its history, a modern cost accounting system technically prepared to report results by business line, to control costs and to analyse variances in cost centres, thus supporting decisions. Therefore, accounting, as a key element of MG’s governance system, became an intentional resource for action by the new managers (Ahrens & Chapman, 2007).

We also observe normative influences on the implementation of the specific new costing system. On the one hand, a consulting firm played a relevant role (Sharma et al., 2010) when it impelled the implementation of a system influenced by foreign accounting norms; but, on the other hand, as in the evidence analysed by Perren and Grant (2000), at MG managers filtered these external accounting influences, that is, family character conditioned but did not prevent the inflow of new management accounting knowledge. Cognitive schemas deeply affected by the normative influences of previous business and accounting training mediated this filtering process. Finally, although during the 1960s and 1970s there was already a clear influence of French doctrine on Spanish accounting development, this influence was not yet strong on accounting practice until the draft cost accounting normalisation guidelines of 1978, based on the previous French normalisation (Sáez, Fernández, Texeira, & Vaquera, 1996). Therefore, in a way, the experience of MG was ahead of the later Spanish normalisation process.

In terms of future research, we wish to understand better the exportation process of accounting techniques from one country to another. This case offers us the opportunity to understand the ways in which accounting devices are imported into a country by means of, among other things, consulting firms and how these consulting firms mould their techniques to adapt them to the circumstances of specific countries (Bjørnenak, 1997; Kipping & Puig, 2003; Malmi, 1999; Puig & Fernández, 2003).

We have focused on why and how a new meaning was attributed to accounting to manage a family business, and therefore this article does analyses changes in the realm of actual management and accounting practices and routines. The limited period for the evidence analysed does not allow us to be sure of the embedding of the new management and accounting practices, and if they were therefore fully institutionalised (Tolbert & Zucker, 1996).

Acknowledgements
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Notes
1. Shared values and norms refer to social obligations and rights mutually reinforced, whereas shared interpretative schemes refer to common cognitive frameworks socially constructed, which affect how people act and interpret events.
2. This manual was part of the founder’s personal library and included information on practical operations and their registration (note of the authors).
3. Following the General Act on 14 March 1952, a daughter of Luis Medina wrote: “...he used those profits [of the company] to expand his business, as a way to employing constantly to the working population, avoiding as much as possible, the unemployment” (AMG, Box 923).
4. In fact, in the acts book, a daughter of Luis Medina wrote about her father that “...he always observed and fulfilled that Divine Law that God, Our Lord, pronounced in His Holy Commandments” (14 March 1952; AMG, Box 923).
5. In the period 1941–1970, there was a net migration outflow of more than 3 million people, mainly between 1961 and 1970 (65% of this total). During this time, wages increased 227% in the period 1957–1963 and 167% on the previous period in 1964–1969. Because prices increased at a slower rate than wages, businesses profitability was negatively affected (Ortega, 1983).

6. During the period 1951–1968, domestic consumption of vegetable oils experienced annual growth of about 3%. However, olive oil consumption fell by about 0.46% per year while that of other (mainly imported) vegetable oils grew at 10.65% (Muñoz, 1969).

7. ABC is a Spanish contemporary newspaper.

8. As an evidence of his high status, Rafael Medina had even been mayor of Seville from 1942 to 1947 (note of the authors).

9. Every 5 January, Rafael Medina celebrated Saint Amelia’s Day in his mother’s honour by making a speech to workers and managers about the of MG and the economic and social situation of Spain (note of the authors).

References


**Appendix: Illustrative quotations extracted from Rafael Medina’s annual speeches**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rafael Medina’s statements</th>
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<tbody>
<tr>
<td>1957</td>
<td>– We are undergoing a crucial stage in our country, socially and economically, which may lead to favourable results if we can and are willing to face it as we should, but it may also be dangerous and inimical for many if we do not decide to face the reality of the circumstances.</td>
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<td></td>
<td>– But we must not forget that our short-term efforts will be in vain unless we first obtain improved results in productivity, not solely through personal effort, which, although dedicated, is by nature limited, but through the improvement of tools, machinery and rationalization, by means of which we obtain real improvement in productivity from work.</td>
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<td>1959</td>
<td>– In recent years, as you all know, a great effort has been made to increase the scope of our activities, devising new activities and endeavouring to expand those already existing, thus gaining greater employment of workers […]</td>
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<td></td>
<td>– […] we are immersed today in a setting of environment change, in the national economy, because state intervention in production and pricing has practically ceased and therefore our production must evolve to the fitting technical economic standards to enable us to subsist in the oncoming trade war.</td>
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<td></td>
<td>– […] looking to the future, we see a need to pause and meditate, to study and project suitable and rational production formulae in order to obtain economic and technical improvement […]</td>
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<td></td>
<td>– It is also necessary that our products be of optimum quality to prevail in the trade war […]</td>
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<tr>
<td></td>
<td>– This serious problem [related to productivity and quality] that we mention is generalized and has only been overcome, worldwide, by means of modern techniques of rational productivity […]</td>
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<tr>
<td>1960</td>
<td>– […] if we achieve the necessary increase in production, applying the rational means which are implemented in other countries, and therefore the increase in remuneration, our economic status, which is still not good, will soon be on the road to improvement […]</td>
</tr>
<tr>
<td>1962</td>
<td>– All this talk about new techniques, rationalization of production, common markets, joint management of producers, business management, etc, forces us to meditate, study and prepare ourselves so as not to be caught unawares without the proper knowledge and preparation to confront it.</td>
</tr>
<tr>
<td></td>
<td>– […] we must immerse ourselves from this very moment and with all intensity to prepare ourselves to comprehend what we do not know and apply ourselves to our tasks, organizing ourselves and each one fulfilling the tasks that are assigned […]</td>
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</table>

*(Continued)*
Currently, although we have not attained all the goals established, in respect to technique and production economy, and therefore it is impossible to improve wages and salaries [...] we have reached a relatively acceptable point, albeit I am the first to admit the urgency of improvement.

In poorer and lesser developed countries like ours it is still, unfortunately, impossible to reach high salaries without the corresponding transformation in production structures [...] We must [...] therefore resolve this much repeated and important issue which is rationalization of work [...] [the village] is now known in several European countries and in half of America thanks to our export products [that] confer prestige to Medina Garvey, [the village] and Spain.

Speak for a moment of the future [...] in our country, because there seems to be an imminent transformation [...] our country’s entrance into the much talked about common market [...] the fall of trade barriers and the onset of free production competition and market pressures will be felt from any country or area, directly on us. This, without any doubt, will set our firm along with many others in the front line with other foreign firms, and I must not hide my fear that the fight will not be easy for us. We are aware of the advance in technique, productivity and the heritage in industrial activity of other European countries and it would be naïve to suppose that, with our current means, we can compete with all the tradition and experience of the new competitors with whom we must battle.

Our children, and forthcoming generations, will not be able to forgive our failure [...] if we wish to continue to increase our standard of living, if we sincerely want to attain the level of more advanced and progressive countries, we must break with old ties, and accept, once and for all, the economic doctrines that stem from countries with greater experience than our own. That is to say by modernizing and by dedicated and rationalized work [...]