

ACCOUNTING AND ORGANIZATIONAL CULTURES: A FIELD STUDY OF THE EMERGENCE OF A NEW ORGANIZATIONAL REALITY*

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Abstract

Organizations have long been known to have cultural properties. A more recent innovation is the study of organizations as cultures: systems of knowledge, beliefs and values in which action and artifact are vested with expressive qualities. We know little about the way in which accounting is implicated in organizations' cultures. This paper reports a longitudinal field study of organizational change, tracing out the way in which new accounting practices were implicated in an emergent reconstruction of the organization's culture.

The train arrived at Capital City Terminus at 12.10. It was on time despite a delay on the line. Walking up the platform, I saw the train driver leaning out of his cab. He must have driven the train fast to recover the time: the windscreens were spattered with dead insects. He exchanged some words with men dressed in smart overalls. Muttering a few words into "walkie-talkies", they jumped down onto the track to check the engine. Men driving small electric trucks towing streams of trailers with logos on the side collected parcels and mail bags from the guard's van. Others set about replenishing water and food supplies in the train. At the barrier, a man wearing a smile and a dark uniform with red piping on the seams checked my ticket.

Moving on, the concourse was bright and airy, concealed lighting illuminating the white tiled floor. People were milling about. Soft music was playing on the tannoy. Large electronic screens indicated arrival and departure times. There were colourful boutiques

displaying ties, handkerchiefs, socks and bags, and cafés where people were drinking coffee and eating croissants. What a change, I thought, from just a short time ago, when the station was dark and grimy, and a grumpy employee had greeted my question about departure times with a crude response.

At the new executive offices across the street I tangled with the revolving glass and stainless steel door. In the foyer, a manicured receptionist called upstairs to say I'd arrived. The security guard, at least I presumed he was a security guard (his appearance was quite like a ticket inspector, but his commanding presence was more like a policeman), showed me to the lift. He deftly pressed the fourth floor button, removing himself before the doors closed. After a few moments the lift doors opened onto what appeared to be open-plan office space, but in fact comprised zones of compartmentalized activity separated by cleverly positioned shoulder-height cabinets and screens. A person came up to me: "Mr Charles will be here in a minute", he said; "he's at a retirement

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do". The man looked busy; his tie was loose, the top button of his shirt was undone, he must have left his jacket on his chair. He was courteous: "his secretary just popped out for a few minutes, but she told me to expect you. Why don't you wait in his office?" Walking through the office space, I could see over the cabinets. The arrangements were utilitarian. Some people were stabbing at computer keyboards, others were studying documents, others were writing or working out sums on calculators. There were piles of print-out everywhere.

We entered Mr Charles' office through his secretary's room. From the large windows there was a fine view into, and over, the station. I could see trains arriving and leaving. I followed one right into the hills across the city. The office was softly furnished. At one end, there was a large desk, at the other a couple of sofas; opposite the windows there were bookshelves and a cabinet. The lighting was bright but unobtrusive. There wasn't a computer in sight. My guide and I made small talk — incidental conversation about the comforts of the new building and the air conditioning. Conscious that his work was pressing and not wishing to detain him, I told him not to worry about me. Eventually he made to leave. "Ah! Mr General Manager", I heard him say before he had even left the secretary's office. "Your visitor has arrived". "Thanks John", came the reply. Mr Charles, the General Manager, entered the room. "Good to see you again, Mr Charles", I said to him as we exchanged greetings.

Settling down in one of the sofas he said to me "I am glad you could come. I think you will find this afternoon's meeting interesting. We're deeply embroiled in cost allocations. Intercity are holding Freight to ransom". After my query, he continued: "At night, we push freight up the main line routes. Intercity don't use them at night. You don't want the speed then; after all you can't expect passengers to get off the train at 2 or 3 in the morning. Sleeper trains make their separate way on roundabout routes. Intercity say the wear and

tear caused by freight trains, and they are very heavy, means they need to increase the engineering specification of the track. As it's an Intercity track, they pick up the cost; and they want Freight to pay. They're holding them to ransom. Freight have responded by running their trains slower. This reduces the damage to the track. They don't go very fast anyway, so I mean SLOW. Now Intercity say they can't get back on the track when they want it in the morning. They have threatened not to let Freight use the track unless they pay. Its going to be an interesting meeting. Would you like a drink before we have lunch?"

Going to the cabinet, he poured two glasses of mineral water...

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Organizations have long been known to have distinct cultural properties (cf. Weber, 1947; Parsons, 1951). They create and sustain particular work customs. They establish norms for proper and improper behaviour and performance. They propagate stories and myths, and are replete with rituals (Van Maanen & Barley, 1984; Martin *et al.*, 1983). Communities in organizations have particular codes of communication: behaviour, language, dress, presentation, design, architecture, ceremony ... The operation of work technologies in organizations is not a purely technical-rational affair. Rather, it is embedded in a cultural system of ideas (beliefs, knowledges) and sentiments (values), in which actions and artifacts are vested with symbolic qualities of meaning. The appreciation of organizational dynamics requires a sensitivity to local frames of significance and interpretation.

Accounting practices are a common feature of most work organizations. Planning and budgeting activities, systems of hierarchical accountability, performance appraisal procedures, budgetary controls and remuneration arrangements, all rely to a greater or lesser extent on accounting practices. Inevitably, therefore, accounting is likely to be implicated in organizations' cultural systems. But how, and in what way? Drawing on the insights of Meyer

& Rowan (1977), Pfeffer & Salancik (1978), DiMaggio & Powell (1983), Scott (1987), Zucker (1988) and others, one theme in the literature appeals to accounting's potential significance in the context of wider societal values and beliefs. Put crudely, organizations depend on a flow of resources for survival; society has beliefs in the efficacy of "rational" management practices; organizations which adopt such practices are more likely to be rewarded. Thus, recent empirically grounded studies (Berry *et al.*, 1985; Ansari & Euske, 1987; Covaleski & Dirsmith, 1988) have cast accounting as a culturally expressive symbol of rationality, particularly oriented towards powerful external constituencies, moderating environmental control. In this view, following especially Meyer & Rowan's (1977) discussion, accounting is often seen to be neutral in its effects within the organization. It is kept at arm's length, symbolically construed as necessary but irrelevant, and, as it were, not taken seriously. It is purposefully uncoupled from organizations' core technological activities.

All knowledges and practices can be reflexive, however. Accounting can reflect back on those institutions which adopt it. Hopwood (1987), Hines (1988), Miller & O'Leary (1987) and others have argued for its constitutive role in the construction of organizational life. Finely crafted notions of costliness, efficiency, profitability, earnings-per-share and so forth, actively construct particular definitions of reality which privilege the financial and economic sphere. Rather than being kept at arm's length, uncoupled from organizations' core technological activities, these can permeate *into* organizational settings, leading to the creation of particular agendas (in the sense of objectives and priorities and the means for their achievement), stylized definitions of success and failure, the characterization of heroic performance and the mobilization of particular dynamics of change. This suggests the possibility of a more intimate involvement of accounting in organizational cultures.

In fact, evidence in the field suggests that accounting practices are not uniformly impli-

cated in organizational activities (Goold & Campbell, 1987; Miles & Snow, 1978). In some organizations, accounting is centrally involved in work rituals: financial achievement is celebrated; budgets are massaged, pored over, and matter. In others, accounting is incidental, perhaps existing as a practice, but with no particular significance. Similarly, entrepreneurial risk taking is sometimes valued for its own sake. Dynamic, decisive, action-oriented men and women who innovate are heroes, almost irrespective of the financial consequences. In other organizations, risk taking is valued only if successful in financial terms. Arguably, the multi-faceted interplay of accounting with organizations' cultural and technical systems is under-researched. More empirically grounded research is needed to ascertain the way in which accounting is drawn upon by actors within organizations in the creation and maintenance of cultures.

Responding, with others, to appeals for field studies (e.g. Bruns & Kaplan, 1987) and for the study of accounting in its organizational and social context (e.g. Hopwood, 1978, 1983; Dent, 1986), this paper reports a longitudinal study undertaken in one organization to research this issue. The organization is a railway company. The study focuses on its senior management élite: a group of approximately 120 people including head office executives, senior line management and people in senior staff positions (i.e. finance and engineering). Prior to the study, the dominant culture within this management group was well established, and centred on engineering and production concerns. Accounting was incidental in this culture: it was necessary in the technical-rational sense of ensuring that revenues were accounted for and suppliers were paid, but it was not incorporated into the culture among the senior management élite in any significant way. Rituals, symbols and language celebrated the primacy of the engineering and production orientation. During the course of the study, a new culture emerged. The previously dominant orientation was displaced by a new preoccupation with economic and accounting concerns. New accounts were crafted. Gradually, through

action and interaction, they were coupled to organizational activities to reconstitute interpretations of organizational endeavour. Accounting actively shaped the dominant meanings given to organizational life, ultimately obtaining a remarkable significance in the senior management culture. A new set of symbols, rituals and language emerged to celebrate an economic rationale for organized activity. This paper carefully traces the events and interactions through which accounting was endowed with significance.

The paper is written from a cultural perspective, but in a very real sense the study is also concerned with power and influence in the organization. A new culture can be a major source of power, particularly if it gains ascendancy to become dominant, for it effectively alters the legitimacy of accepted criteria for action.

The next section of the paper outlines the cultural approach adopted in the subsequent analysis. The following section explains the method employed in the study. Two sections then document the study itself. Thereafter, some implications for accounting and culture are drawn out. Finally, there is a concluding comment.

CULTURE

In recent years, a prolific literature has emerged to offer a wide array of perceptual, symbolic and processual characterizations of organization (e.g. Hedberg *et al.*, 1976; Jonsson & Lundin, 1977; Hedberg & Jonsson, 1978;

Pondy, 1978; Weick, 1979; Ranson *et al.*, 1980; Argyris & Schon, 1981; Pfeffer, 1981; Starbuck, 1982; Pondy *et al.*, 1983; Brunsson, 1985; Greenwood & Hinings, 1988). As a result, we are now used to conceptualizing organizations as bodies of thought, variously described as myths, causal schema, theories-of-action, interpretive schemes, ideologies, paradigms and so forth. The concept of culture, drawn from anthropology and ethnography, has entered the organizational literature as a framework for extending this ideational understanding of organizations¹ (Pettigrew, 1979; Smircich, 1983a; Allaire & Firsirotu, 1984; Van Maanen & Barley, 1984; Meek, 1988).

Culture is an elusive concept.² Here, drawing on Geertz' (1973, 1983) interpretive anthropology, it is defined to be the broad constellation of interpretive structures through which action and events are rendered meaningful in a community. Balinese cockfights, a sheep raid in Morocco, funeral rites in Java — or nearer home, the graduation ceremony, the distinguished lecture series, the publication of papers in prestigious journals — all have singular meanings in their respective communities (as does all social action). Culture is the "ordered clusters of significance" (Geertz, 1973, p. 363), the shared "webs of significance" (p. 5) through which people appreciate the meaningfulness of their experience, and are guided to action. Culture, as an ideational system, is produced and reproduced through action and interaction. But it is not just lodged in people's minds. Culture is public, the product of minds, between minds. Culturally significant events give public expression to the ideational system.

¹ Cultural ideas are not new to organizational research. They surface in many classic descriptive studies of organizational behaviour (e.g. Roethlisberger & Dickson, 1939; Whyte, 1948, [1943] 1955; Selznick, 1949; Gouldner, 1954; Blau, 1955; Roy, 1954, 1960; Goffman, 1959; Hughes, 1958; Dalton, 1959; Buroway, 1979). Only in the late 1970s, however, did organizational culture emerge as an explicit theme.

² In cultural anthropology, culture is used in different ways. The broad idea of culture as a "total way of life" of a community, developed by classical anthropologists (e.g. Radcliffe-Brown, 1952; Malinowski, 1922; Evans Pritchard, 1937, 1940), is continued by Harris (1979), among others. More commonly, culture is used to denote a system of ideas, a position associated in different ways with Goodenough (1971), Levi Strauss (1963, [1962] 1966) and Geertz (1973, 1983). Allaire & Firsirotu (1984) trace implications of these different perspectives on culture for organizational research. Wuthnow & Witten (1988) discuss the use of culture in contemporary sociology, see also Wuthnow *et al.* (1984).

The appreciation of organizations as cultures brings the interpretive, experiential aspects of their activities to the foreground of analysis, emphasizing their expressive qualities³ (Van Maanen, 1979, 1988; Feldman, 1986). Looking at the railway, for example, the train is not seen as cold technology; the concourse is not just glass and marble; "Mr General Manager" is not an anybody; cost allocations are not mere calculations: everything is expressive. Local knowledge, beliefs and values vest them with symbolic qualities of meaning. The train may be vested with a sacred quality (or not, as the case may be) quite beyond its technical properties; beliefs about the skills required to operate a railway and appropriate forms of organizing may endow the General Manager with special status and privilege (or not). Cultural analysis attempts to uncover these meanings and to trace the underlying thematic relationships. The objective is interpretation and "thick description": the production of rich contextually laden accounts conveying the symbolic content of social action.

Meaning systems may differ within organizations, of course. The train, the framing of the routing problem as a cost allocation issue and so on are likely to be interpreted differently by different groups. Within the overarching concept of an organization as a culture, it is sensible to recognize the possibility and likelihood of distinct subcultures existing among managerial teams, occupational groups, members of different social classes and so on; many of which may transcend organizational boundaries (Van

Maanen & Barley, 1984). As a limiting case, these subcultures may be isomorphic; more commonly, they may only partially overlap.⁴ Also, some may be dominant-cultures and others counter-cultures (Martin & Siehl, 1983), perhaps partially uncoupled from each other (Berry *et al.*, 1985), or co-existing in an "uneasy symbiosis" (Martin & Siehl, 1983), or in contest with each other for dominance (Gregory, 1983; Riley, 1983; Pettigrew, 1985; Feldman, 1986). Moreover, cultures in organizations are not independent of their social context. They are interpenetrated by wider systems of thought, interacting with other organizations and social institutions, both importing and exporting values, beliefs and knowledge.

Accounting is likely to be differentially implicated in these subcultures in organizations. Accounting systems, and information systems more generally, inevitably offer highly stylized views of the world. Any representation is partial, an interpretation through a particular framing of reality, rendering some aspects of events important and others unimportant; counter-interpretations are possible (Hedberg & Jonsson, 1978). Accounting systems embody particular assumptions about organization, rationality, authority, time and so forth. These may be more or less consonant with local subcultures in organizations (cf. Markus & Pfeffer, 1983). For example, to senior managers in some organizations accounting may symbolize efficiency, calculative rationality, order and so forth: "the name of the game is profit". This may

³ With Meek (1988), Feldman (1986) and others, I wish to distance myself from the current vogue of "pop-culture" literature on the management of meaning, which is ill-informed in the anthropological tradition: e.g. Ouchi (1981), Peters & Waterman (1982), Deal & Kennedy (1982), Kilmann *et al.* (1985). No one has a monopoly of meanings (Smircich, 1983b). See Barley *et al.* (1988) for an interesting discussion of the contaminating effects of this literature.

⁴ Geertz' (1973, pp. 407-408) analogy is relevant here: "Systems need not be exhaustively connected ... They may be densely interconnected or poorly ... the problem of cultural analysis is as much a matter of determining independencies as interconnections, gulfs as well as bridges. The appropriate image ... of cultural organisation, is ... the octopus, whose tentacles are in large part separately integrated, neurally quite poorly connected with one another and with what in an octopus passes for a brain, and yet who nonetheless manages to get around and to preserve himself, for a while anyway, as a viable if somewhat ungainly entity". He goes on: "Culture moves like an octopus too — not all at once in a smoothly coordinated synergy of parts, a massive coaction of the whole, but by disjointed movements of this part, then that, and now the other which somehow cumulate to directional change".

motivate the development of sophisticated accounting systems measuring economic performance this way and that. To others (nearer the ground?), accounting may symbolize confusion or irrelevance: "no one understands the business"; "when all else fails they resort to the numbers" (see Jones & Lakin, 1978, chapter 11, for a graphic example). Similarly, meanings may differ across occupational groups. Commercial managers may appreciate accounting rather differently to engineers, for example.

It is useful to think of societal cultures as emergent, unfolding through time⁵ (Geertz, 1973; Douglas, 1966), and similarly with organizational cultures (Pettigrew, 1985; Feldman, 1986). That is not to say that given cultures do not survive for long periods, or that changes may be proactively managed: organizational cultures probably have inertial tendencies (cf. Miller & Friesen, 1984), perhaps sometimes not even incorporating changes in wider patterns of social thought⁶ (cf. Burns & Stalker's, 1961, pathological responses in mechanistic firms). Rather, the implication is that culture is not programmed or static. The processes of cultural change in organizations are poorly understood, however. Perhaps cultural change is a political process: subcultures competing with one another for legitimacy and dominance (Pettigrew, 1985). Perhaps cultural change is akin to the diffusion of organizational forms, whole fields of organizations rapidly adopting knowledge innovations in leading firms (cf. Fligstein, 1990). Perhaps in a Kuhnian sense, cultural change is precipitated by crisis: the adoption of new cultural knowledge only being possible when faith is undermined, for example by the failure of strategies for subsistence. Maybe new cultures are autonomously crafted in organizations (cf. "groping" towards "solutions-in-principle" and their subsequent elaboration:

Mintzberg, 1978; Jonsson & Lundin, 1977); or perhaps they are already there, "lying around" in counter-cultures, waiting to be discovered by others (cf. Cohen *et al.*, 1972); alternatively, cultures may be imported from the environment through new actors (cf. Starbuck & Hedberg, 1977).

Clearly, there are multiple modes and possibilities for cultural change. However, the point of importance for this paper is the conceptualization of cultural change as the uncoupling of organizational action from one culture and its recoupling to another (cf. Greenwood & Hinings, 1988; Hedberg, 1981). It is a process of fundamental reinterpretation of organizational activities. Things cease to be what they were and become what they were not: a new reality, if you will. In the railway, for example, the sacred train could turn into cold steel, or the priest-like general manager could become an anybody. Moreover, this process of uncoupling and recoupling is unlikely to be sudden, but emergent: the gradual disintegration of one coupling and the crystallization of another. This crystallization may be around an idea not fully understood, a kind of ill-articulated new knowledge, perhaps imported from the environment. In the railway, this idea was a new accounting.

RESEARCH METHOD

Arm's length analysis is clearly inappropriate for cultural analysis of the kind described here. Instead, it calls for closer engagement in the research setting and "interpretive" methodology (Geertz, 1973; Burrell & Morgan, 1979; Denzin, 1983). Necessarily, this precludes the imposition of exteriorized accounts, and radical critique. In part, the goal is "to grasp the native's point of view, his relation to life, to realise his vision of

⁵ Douglas (1966, p. 5) states: "... we think of ourselves as passively receiving our native language, and discount responsibility for shifts it undergoes in our life time. The anthropologist falls into the same trap if he thinks of a culture he is studying as a long established pattern of values".

⁶ There is a link here to the cultural adaptation literature (Harris, 1979), but it is not developed in this paper; cf. Lawrence & Lorsch ([1967] 1969), Aldrich (1979).

his world" (Malinowski, 1922, p. 25); in part it is to reflect on the processes through which that vision comes to be and is sustained.⁷

This kind of research is necessarily qualitative. Data consist of descriptions and accounts provided by participants in the research site, together with the researcher's observations on activities and interactions and the context in which they take place. Data must be collected over an extended period of time so that processes can be recorded.

The researcher, in general, does not seek to test a prior hypothesis. Rather, he or she seeks to theorize through the data in an inductive manner. Analysis of the data is itself an emergent process. The researcher seeks gradually to develop an empathy with the data, to understand what they tell of participants' realities and the process through which they unfold. The researcher must constantly construct alternative interpretations ("readings": Levi Strauss, quoted in Turner, 1983) until he or she is satisfied that the representation is a faithful account. Interpretations must be grounded in context and consistent with the chronological ordering of events and interactions. Finally, research results must be presented in such a way that the reader can independently judge their credibility, as far as is possible.⁸

The study reported here was conducted over a period of two years, with follow up visits one year and two years later. It involved ongoing iterations between data collection and analysis. Access to the organization was gained through various channels and contacts. The researcher was given freedom to interview anyone he wished. At no point in the data collection process did the researcher express

opinions, save where it was necessary to prompt interviewees.

Data were collected from staff within the organization in several ways. The first source was a series of unstructured interviews. Approximately 30 managers were interviewed, sometimes twice or more times at the researcher's request. These included head office executives and their advisors or assistants, senior line management and people in senior staff positions (finance and engineering). Interviews averaged one and a half hours in length, and were spread over the period of the research. They were tape-recorded and transcribed. Secondly, access was granted to various internal meetings. Debates were observed and dialogue noted. Activities in these meetings were subsequently written up in abbreviated form. Thirdly, data were collected through casual conversations and by simply "being around".

As the project progressed, the data were repeatedly analysed. At first, it seemed that there was a real probability of drowning in the data. Transcripts and notes were accumulating rapidly, and the material appeared to be incoherent. This is apparently a common feature of the initial stages of cultural research (Smircich, 1983b). But different ways of making sense of it all were explored and gradually a pattern began to emerge. At each stage emerging appreciations were checked against the next round of data in an attempt to confirm the researcher's understanding of the situation. This continued until such time as the subsequent data became predictable.

It may be useful to indicate the precise way in which the data were found to give a coherent picture. Ultimately, the analysis hinged on three dimensions: role (function), and level of

⁷ For Geertz (1983, p. 58): "The trick is not to get yourself into some inner correspondence of spirit with your informants ... The trick is to figure out what they think they are up to". While one may attempt to move towards an "experience near" understanding in the field, however, the presentation of an ethnography inevitably will recast these understandings through the "experience far" theoretical categories of the reader. Crapanzano (1986) argues that this claim to "native view" interpretations is illusory: "There is only the constructed understanding of the constructed native's constructed point of view" (p. 74). See also Marcus & Fischer (1986) for contemporary critique.

⁸ The anthropological literature is brimming with reflexive discussion of ethnographic writing styles. See Geertz (1988), Marcus & Cushman (1982), Clifford & Marcus (1986), also Van Maanen (1988).

hierarchy of the subject, and time. Firstly, the data were categorized according to content and underlying values. Opinions, sentiments, interpretations, confusions and so forth in each interview transcript were noted. This was done without reference to the identity of the person who had been interviewed. The data collected at any one time seemed to fall naturally into distinct constellations or clusters (in the sense that groups of people expressed similar views). Attaching identity to the data, it transpired that these constellations corresponded broadly to interviewees' roles and positions in the hierarchy. Among those performing similar roles (functions) at a similar level in the hierarchy, there was a marked similarity of perspective. Perspectives differed, however, across roles and at different levels of the hierarchy. These data were set up on a two-dimensional space with role on one axis and hierarchy on the other.

This exercise was repeated on data collected at different times, and found to give similar results, in the sense that the data again fell into role-hierarchy clusters. The specific content of the data differed over time, however. So, the two-dimensional spaces were set out in chronological order. In effect, a third dimension was added to the space, representing elapsed time. Studying the content of the data as one moved through time, it transpired that the opinions, sentiments and interpretations of each group were in fact evolving in a systematic way. In this three-dimensional space was a story of unfolding meanings in the organization.

This was indicative of the existence of different cultures in the organization, and some

systematic underlying trajectory in the emergence of those cultures. In fact, during the data collection process, it became clear that new interviewees' views were predictable, given a knowledge of (a) the role (function) of the participant, (b) his or her position in the hierarchy, and (c) the time of the interview.

At this point, the data were analysed from a different perspective. Specifically, the level of analysis shifted from content to process. The data were re-examined to see if the process through which the new meanings were emerging was observable. Some key turning points were obvious in the data. There was a series of events and interactions through which the emergence of the new meaning structure could be traced. These are documented in following sections. Finally, the findings of the research project were noted and informally discussed with various participants.⁹

THE ORGANIZATION: AN OVERVIEW

The research was undertaken in a major railway company. The company is referred to here as ER¹⁰ ("Euro Rail"). It is, and has been for some while, in public sector ownership. It is large by any standards, employing approximately 160,000 people. It has a distinguished history.

History and traditions

ER has its origins in the great private-sector railway companies set up in the middle decades of the last century. These each built and operated a main line out of the capital city, i.e.

⁹ There were several fascinating aspects of this last stage in the field. One was that many managers had simply forgotten what had happened, or at least had retrospectively reconstructed it. In particular, some seemed to forget how tentative their initiatives had been, the anguish and stress of trying to imagine a new future, the tense moments at the heights of political intrigue and the sheer uncertainty of the outcomes. They read the past through the present. Geertz' (1973, p. 19) notion, drawn from Ricoeur, of the ethnographer "... tracing the curve of social discourse; fixing it in inspectable form ... He turns it from a passing event which exists only in its own moment of occurrence, into an account, which ... can be reconsulted", is particularly pertinent here. Secondly, my intervention at this stage actually constructed a past (and hence a present) for participants; in other words, the theory developed here on the constitutive potential of accounting may be a *general theory of accounts*.

¹⁰ The company's name has been disguised.

radial routes and associated branch lines.¹¹ The companies are legendary. They raised capital to fund their projects on an unprecedented scale. Their railways were built by world-famous engineers who pioneered emerging industrial technology, designing magnificent steam locomotives and tracks and bridges which the world admired. The railways were, and are, a visible celebration of Victorian accomplishment.

These companies enjoyed a monopoly in the nation's transport well into this century. They had good relationships with successive governments. They paid consistent dividends and their shares were blue-chip stocks. This monopoly position and government patronage, coupled with a remarkable continuity in the underlying nature of their operations, rendered them highly bureaucratic: rules and procedures were well defined, there were clear chains of command and formalized systems for managing operations.¹² Their managements were conservative, cultivating a belief in the uniqueness of railway management and the wisdom of practices built up over many decades.

Importantly, though, while established as commercial concerns and earning their founders a handsome return,¹³ these companies also embraced a spirit of public service, for the railway network provided a transport infrastructure much needed for the pursuit of trade and manufacturing, and for social mobility. This notion of public service was significant in the managements' interpretations of the railways: they took the rough with the smooth. They were run by "railway men": engineers and operators who took pride in the professional

management of the railway and its public service.

The railway companies were nationalized in the late 1940s. In many respects, this was of limited significance. The nationalized railway consolidated the old management structure: it was organized by region, each representing one of the radial routes out of the capital city; and each still managed by a General Manager (the same title as before). An Executive Committee was established to oversee policy decisions and to interface with government. This committee comprised the regional General Managers together with the Chief Executive of ER and various engineering chiefs.¹⁴ Management practices of the former railways survived intact. Furthermore, nationalization reinforced the public service orientation, for this was the era of the Welfare State. Public-sector ownership established the railway as a social service. Its prime purpose was to provide a transport infrastructure. Profitability was secondary.

This interpretation of the railway remained dominant among senior managers for thirty years or more. Post-nationalization governments, faced with deficits and huge investment sums required for modernization, frequently sought to contain the costs of maintaining this infrastructure. Following a fundamental review in the 1960s many branch lines were closed. Later, during the 1970s, the government imposed investment ceilings and set out expectations for the maximum level of its support. But, although now tempered with a concern for thrift and the avoidance of waste, old traditions endured. Financial deficits continued. ER remained a

¹¹ This is an oversimplification, for in fact there were then a multitude of local regional railway companies in addition. It was only in the 1920s that government inspired mergers led to their consolidation around the major routes.

¹² This was not unique to ER. See Chandler (1965), Crozier (1964) and Gourvish (1986).

¹³ In this connection, Bryer's (1991) account of the differential returns to investors in Britain's railways is interesting.

¹⁴ Committee structures were continually revised and amended during the post-nationalization period. My terminology anticipates the structure in place in the early 1980s, at the start of this research. Broadly speaking, this structure is not unrepresentative of early patterns, for the representation of interests in railway management committees was constant throughout this period. The railway companies were also diversified into related businesses, however, e.g. engineering, shipping, harbours, property and hotels, which were also represented in the management structure. These other businesses are not discussed here. They only accounted for about 25% of headcount and turnover, and the railway operations remained the dominant managerial concern. For the record, they were gradually privatized during and after the period of this research.

bureaucratic organization with a heritage of railway engineering and public service. The railways were still run for practical purposes by regional General Managers, each one of these standing in a direct line of descent from a founding pioneer. They occupied the same grand offices. There were portraits of previous incumbents on their walls. They were, very consciously, carrying on a tradition of professional railway management.

This was the reality of the dominant "railway culture". The railway was a public service. The purpose of the railway was to run trains. In so doing profitability was secondary. The accepted professional concerns were to do with railway engineering and the logistical problems of operating trains. And although the "golden age" of steam had passed, new electrical and electronic technologies still offered scope for railway people to further their engineering heritage.¹⁵

The emergence of the economic perspective

In a profound sense, nationalization thirty years before had created a relationship of dependence for the railways, a dependence on government for sustenance. In the early 1980s the implications of this became clear. Government policy became stringent. Social aims ceased to be a legitimate criterion for support. Government sought to impose harsh economic disciplines in all areas of public and private endeavour. Declaring a determination to "take on" the public services in particular, it orchestrated a campaign challenging the competence of public-sector management. For the railway, government "expectations" were translated into more specific financial "objectives". These were progressively tightened. Investment funds were withheld. Reporting escalating losses, ER

found itself in a malign, resource constrained environment.

We need, for a moment, to backtrack. Apparently, in the late 1970s, the Chief Executive of the railway had set up a strategy think-tank to improve long-term planning.¹⁶ Embryonic ideas developed there, and subsequently nurtured by a small group of executives, were now rolled out for more general consideration. Senior managers, by this time fully appreciative of the real hostility of government and the precarious position of the railway, fastened onto the ideas as a solution to the current problems. The organization, through the Executive Committee, created new management positions. For the first time, "Business Managers" were appointed. For analytical purposes (only), railway operations were broken down into market sectors: for example, long distance passenger traffic, short distance passenger traffic, freight, parcels and postal traffic. Business Managers were assigned responsibility for developing strategies to enhance financial performance in each sector — in effect to manage the "bottom line(s)".

These people were appointed outside the main line-management hierarchy of the railway. They were long-range planning people in staff positions at the Head Office, with no formal control or authority over railway operations. In fact, their initial responsibilities were thought to be confined to the identification of market-related initiatives. The Business Managers reported to the Chief Executive and joined the Executive Committee. But the regional management hierarchies remained intact. Regional General Managers, carrying on the old traditions, continued to run the railway.

The appointment of Business Managers was to have far reaching consequences, however,

¹⁵ A notorious example of this was the development of an advanced passenger train in the late 1970s. Powered by a gas turbine, it employed a revolutionary suspension technology, the whole train tilting as it went round corners. In trials, the prototypes proved unreliable, and made passengers sick. The project was shelved in the subsequent "business regime" of the 1980s. A prototype was sent to a railway museum.

¹⁶ I am indebted to independent archival research for this information. In the railway folklore these events are shrouded in the mystery of (recent) time. This pattern of events is not unique: see Gourvish (1990) for comparable accounts.

for it introduced a new “business” culture, a counter-culture. They brought a different interpretation of reality. For them the railway was a business, its purpose was to make profit. Engineering and logistical operations were essentially a means for extracting revenues from customers. Professional management was about making the railway profitable.

Business Managers were appointed without staff or support at the margins of the organization. But during the course of the study, they gained influence at the expense of the regional General Managers. They persuaded many around them of their idea of a business railway. Gradually, people converted to the “business culture”. Others left the organization. The nature of dialogue and debate changed. Appeals to the old traditions of railway excellence and public service were repudiated. New kinds of policy decisions emerged, motivated by the business logic. Operational activities out in the regions began to be informed by the new rationale.

Now, the old world view, the preoccupation with engineering and logistics, the belief in the railway as a social service, the railway culture, has been substantially displaced by the business perspective, the belief that railways should be instrumental in making profit and managed to that end. The counter-culture has emerged to become the dominant-culture among the senior management. Traditions established over longer than a century were quickly overthrown.

TRACING THE DYNAMICS OF CHANGE

The story is one of evolving interpretations, meanings and perceived possibilities. No one in the organization foresaw the outcome at the start, not even the Business Managers. At first, their “business culture” was vague and indistinct, a kind of abstract generality. But as events unfolded, it became more specific. Possibilities for coupling their business reality to organizational action were perceived. Gradually, as people elaborated the new logic for organized activity, momentum was created. Captur-

ing the emergent nature of these developments, one senior manager described the experience as “a voyage of discovery and development”.

This section traces the dynamics of change. Firstly, it considers the context surrounding the appointment of Business Managers. Then it outlines the crafting of new accounting systems. Subsequently, it traces the process through which the new accounting was coupled to organizational activities and endowed with meaning. Finally, it gives an account of the regional General Managers’ perspective in these events. The section is interspersed with representative comments from managers in the organization.

People and context

The context of the Business Managers’ appointments in ER is important in appreciating the trajectory of events. The railway was under acute threat. The competence of public-sector management was openly under challenge. The railway was charged with being “old fashioned”. Governmental pressures for profitability were onerous, and sanctions were being applied.

These threats were clearly appreciated by senior management. The railway has always prided itself on being modern in its technological activities. The charge of being “old-fashioned” in its management practice was deeply challenging. Moreover, there was some recognition that the old traditions were not, in themselves, proving sufficient to manage the threats away, and needed to be supplemented in some way. The skills the Business Managers brought, marketing, long-term planning, “bottom line” management, had an image of modernity, enabling the railway to throw off the charge of being “old-fashioned”, and were thought to be a useful supplementation of the railway traditions. Moreover, they were thought to be unintrusive, a “grafting-on” to the old traditions. The Business Managers had no operational authority. They were “back office” planning people. Their roles were defined through a remote accounting construct, the “bottom line”, outside the prevailing mainstream understanding of railway activities. In bringing new

knowledge to bear to cope with environmental pressures, they were not expected to disrupt the railway or existing patterns of authority. Senior managers commented:

Everything has its time. You've got to realize the environment of the (transport) industry. We're now in the most competitive environment the railway has ever faced. And there were clear objectives emerging from the Government. These things made people think differently It's all in the market place in the end, and how to exploit the market place. The traditional railway wasn't sensitive to the market place (Senior Executive).

We were weak in marketing and business issues generally. The government targets were stiff. We needed those skills (General Manager).

Equally important are the personalities and backgrounds of the Business Managers. While they had all at some time worked in or with the railway, practically all had also worked outside. Thus, while they understood the railway culture and could talk railway talk, they also appreciated what they saw as wider business practice: "managing for profit". Furthermore, these men became evangelists, hungry people with a mission. They developed a zeal to convert the railway from a social service to a business enterprise.

In addition, the nature of their appointments was rather unusual (at least for a mechanistic organization). There were no briefs or manuals. Ultimate intentions were not articulated. Business Managers were just told to see what they could do.

We introduced it in an evolutionary way. We said: "Let's appoint Business Managers and then let it evolve. Be patient and let it evolve" (Senior Executive).

When the Chief Executive introduced the Business Managers he didn't have any idea how to take the concept forward. I think he deliberately chose people who would win the day, and left them to get on with it. It was up to each of us to build our influence. The regional General Managers had great centres of power: buildings and armies of people. They were the Gods on high, the last remnants of the Railway Companies. He wanted to stand back from it all, and see what would happen (Business Manager).

They had, at best, a vague job description, one which they could legitimately expand.

Subsequent events were not independent of changes in the social and political climate during the decade. It was one dominated by economic liberalism: deregulation in many spheres of activity, privatization of state owned enterprises, and a sea change in attitudes towards the public services and the Welfare State. These substantive effects were to come later, but there was already a clear "idealization" by government of private sector management practices, and a belief that they could be introduced in the public sector. (Industrialists were rationalizing "old fashioned" work routines in the Civil Service, for example.) There was also a stated political agenda to subject the public services to "market disciplines" wherever possible.

Evolutionary change and organizational acclimatization

The railway has long traditions and consensually accepted preoccupations. At first, the Business Managers could only see limited opportunities for coupling their concept to day-to-day activities. But as events unfolded, tentative new possibilities were perceived. Stage-by-stage, as if in episodes, their abstract notion of the business railway became more concrete.

The railway is a very formal organization. People in it describe the management process in bureaucratic analogies, talking of "chains-of-command" and "good old soldiers falling into line". In meetings, people are often referred to through their official titles. There is much deference to authority. The Business Managers recognized the significance of this formal management style in their quest to convert the railway. In fact they worked through it. As their ideas evolved, in each episode they sought first to persuade the Chief Executive and his advisors. These people were likely to be the most sympathetic to their economic rhetoric, for they interfaced with government and felt the external pressures most immediately. Carefully negotiating in principle a course of action, often after much private and closed debate,

then, sure of their support, the Business Managers set out to convert a wider group.

Each episode involved a fairly small incremental step. None, in isolation, was especially threatening or difficult to accommodate in the old railway culture. Indeed, at first, even those who ultimately stood to lose influence and status appreciated the blending of the business perspective into the railway culture. As the organization became acclimatized to each change, however, as each episode had a chance to “soak”, so new possibilities were perceived. Repeatedly, new episodes were enacted.

Commenting on the way in which they operated, a Business Manager reflected:

In the early days, there was nothing in writing, except that we had a responsibility for improving the bottom line. There were no organization charts. This made life difficult. It was all about relationships. We had to persuade everyone around us ... As we did so, our ideas evolved. We became increasingly aware of the potential of the Businesses.

Senior Executives recalled:

Our ideas were constrained because we were ... well I was going to say traditional railwaymen. We were coloured by the views of the complexity of running a railway. No one foresaw the present state as a possibility. Our minds were opened.

It takes time to change an organization like the railways and to change attitudes. There's 150 years' history. You don't overturn that lightly. Nor would you want to, or the railways would cease to operate ... The Business Managers recognized that. First, they convinced a small group, then gradually widened that group until everyone was aboard ...

They operated in stages ... Incremental changes were easier to sell. It was easier to build commitment and minimize opposition from those who stood to lose ... They took each stage to the limit.

Creating an alternative account

For the Business Managers the purpose of the railway was to make a profit. The significance of customers was revenues; the significance of operations, that is, trains, infrastructure and staff, was cost. Upon their appointment, however, there was no account of the railway's activities in each market sector consistent with their reality. While profit or loss was measured for the organization as a whole, and was used in dealings with government, no such measures existed for component parts of the railway.¹⁷

In fact, during the 1970s, primarily for analytical purposes (rather than for responsibility accounting), the railway had moved towards a system of contribution accounting, matching directly traceable costs to revenues for various market segments.¹⁸ Common costs were not allocated to the segments. The railway is a remarkably integrated activity, with common staff, infrastructure and, to some extent, train-related activities, so these unallocated costs were very substantial. Senior accounting executives had long argued, both privately and publicly, that allocation was neither possible nor meaningful. Fundamental to the Business Managers' appointments, however, was not just a profit-contribution responsibility, but a “bottom line” responsibility, and this called for the allocation of common costs.

In a definite way, this “bottom line” responsibility had a normative symbolism — private sector managers were concerned with the “bottom line”. But there was a more practical logic: this was to ensure that one or other of the Business Managers would be responsible for all costs, and motivated, as events unfolded, to ask questions about the necessity and consequences of incurring cost. A Senior Executive commented:

¹⁷ Under existing systems, costs were accounted for by region, corresponding to the physical location of the operational activities concerned. The regions were thus essentially cost centres. Revenue responsibility was more diffuse, for passengers and freight were frequently transported across two or more regions. In fact it was not as simple as this, but in practical terms, the railway network alone was a huge profit centre.

¹⁸ These did not precisely correspond to the present market sectors, but provided a basis on which to build the subsequent measures.

You appoint a Business Manager and say: "We believe this is freight". The first thing he says is: "What's mine? What are the boundaries of my business?" Then he pursues questions such as: "How are costs being allocated to me? I want to know more about it. Let me analyse and fillet all the cost you are suggesting is mine" ... Then he asks: "How do these costs relate to my revenues".

An individual within the accounting department was appointed to develop profit or loss measures by business sector. This person was in rather an invidious position. Given senior finance officials' former public repudiation of the possibility of developing these measures, he had to tread carefully. He later recalled:

At first I was not convinced that it was either sensible or feasible. There's a whole history of avoiding cost allocations in the railway. But if the Business Managers were to take responsibility, they needed different Management Accounting. I was persuaded of this new way to run the railway. I wanted Finance to play a fundamental part in supporting it.

When I was appointed I spent several months bouncing ideas off walls — walls not people — because finance people didn't believe you could or should develop the information they needed.

He became involved in intensive discussions with the Business Managers, and with representatives of the Chief Executive's office. Different ways of apportioning costs were discussed, and a firm of accountants consulted. The guiding principle was "cost exhaustion" — all costs incurred by the railway had somehow to be attributed to one or more of the businesses.

The precise details of the method of arriving at the profit or loss for each business are unimportant here. It suffices to say that it was founded on principles reflecting the primacy of use of resources, and that the development of computer systems to operationalize the principle in full took some while. The significant point is that these measures were introduced, manually at first, and that they were fundamental to the emergence of the new culture.

Business Managers were appointed without any operational authority. Their positions were

an abstract economic construct. They were made meaningful through the new accounting constructs. Moreover, the accounting measures provided a means through which they could later couple debate on operational and physical concerns to an economic calculus. Reflecting on the penetration of the new account of organizational activities, one Business Manager observed:

It's my impression that the engineers, and after all we are an engineering company, had no real understanding of what they were doing in terms of the "bottom line" ... Now the engineers know what a "bottom line" specification really is and they can respond to it.

One regional General Manager commented:

I always behaved with the "bottom line" in mind. But the Business Managers took it further. They challenge to a much greater extent. Making the railway profitable is the real meaning of the Business.

And another:

I didn't realize the extent to which budgets would be challenged, and challenged so vehemently.

Coupling railway activities to the new account

At the head of the railway is the office of Chief Executive. Attached to this are various staff functions — Finance, Engineering Directorates and so forth. Reporting to the Chief Executive in a line-management relationship are the General Managers of the regions. Underneath these are the railway operations. Overlaid on this management structure are formal planning and decision-making systems of various kinds.

The Business Managers were appointed in staff positions outside the formal line-management structure of the railway organization. They wished to explore their reality with others. But, there was, at first, no formal context for them to interact with others. Neither did they have the formal status they perceived necessary to influence others. In a sequence of moves, they sought, first, to institutionalize their status, and

then to secure bases for participating in an increasing range of dialogue and debate.

Securing status. First they lobbied the Chief Executive and his advisors for a change in reporting relationships. If he was serious about the idea of marketing and business planning in the railway, they argued, then they had to have comparable status to the regional General Managers. After some considerable debate, a new management structure was introduced. The Chief Executive appointed two Joint Managing Directors, one taking a responsibility for the regions — the operations side of the railway, the regional General Managers; the other taking a responsibility for planning and marketing — in effect, the Business Managers. In a symbolic sense, although not at first in practice, this gave the Business Managers parity with the regional General Managers. It also stood for the Chief Executive's acknowledgement of the legitimacy of the "business" reality, the reality of the railways being managed for profit. Commenting on the significance of this, one Business Manager observed:

The General Managers used to report directly to the Chief Executive. The joint Managing Directors gave us parity.

Creating contexts for interaction. Later, in subsequent episodes, they lobbied for successive changes in the formal planning and decision-making systems. Changes, they argued at each juncture, were necessary to provide a balance to the over-bearing influence of the regional General Managers and engineers. Over the period of the study, three changes were forthcoming. Each change secured opened up possibilities for perceiving the potential of the next. Firstly, the corporate planning system was revised. This dealt with longer-term matters. Formerly, regional General Managers prepared plans and presented them to the Executive Committee for ratification. The change gave Business Managers a formal input into the preparation of plans. In fact, the planning process became "business-led", with these managers setting financial and other objectives

for the regions, the regions being required to identify actions to achieve those objectives. Next, capital expenditure approval procedures were amended. Formerly, regional General Managers and engineering chiefs had significant autonomy in the approval of capital expenditures. The new system required expenditure proposals to be underwritten by one or more Business Managers, and effectively gave them a right to veto if they thought the proposals were uneconomic. Finally, budgeting systems were revised. Budgets emanating from each region were analysed by market sector. Business Managers became involved in their review.

The significance of these changes is that, in the context of ER's formal management style, formal systems and procedures imply rights to participate in and influence decisions and actions. The Business Managers' participation in the operation of these systems gave them a context to interact with others and question the rationale underlying railway decisions. In meetings, they could be seen translating operational and engineering concerns into the new profit calculus, feeding their financial vocabulary back into the stream of discourse. Appealing to the "ideal" of the profit-conscious customer-oriented private sector manager, they challenged and sometimes ridiculed beliefs.

Thus, participation in the planning procedures enabled them to reinterpret longer-run engineering and operational initiatives in business terms: what does it mean for the customer? Will it improve journey times and punctuality? What implications does it raise in terms of costs and revenues? Their sponsorship of capital investments enabled them to ask: will it improve train reliability, eliminating the need for back up resources? Can the businesses afford it? What are the investment options? The redesign of the budgeting system gave them opportunities to challenge the cost effectiveness and profit implications of operational issues like train routing, train scheduling and the programming of maintenance.

Moving from the remote concerns of long-term planning, through capital investments, to immediate issues of train scheduling and

maintenance programming, they recast management debate into a language of the "bottom line". Others began to take up their vocabulary. Railway matters gradually came to be discussed as financial matters. Furthermore, planning and budgeting activities began to assume a new significance. Formerly, they were introverted acts of cost containment. Now they came to symbolize the search for profit-maximizing opportunities.

Commenting on the importance of these changes in formal systems, a Business Manager observed:

We had responsibility for improving the profitability of the railway. But it wasn't clear who was in control — I think there was some diffidence in spelling that out with the utmost clarity. We lobbied to get control of the planning process. Clarity has emerged, now that we have taken responsibility for planning and budgeting. That's become our power base.

Over time, these changes cumulatively extended the opportunity for Business Managers to interact with engineers and operators far beyond their original remit. Through this interaction, their ideas became more specific. But they were still located in the Head Office. Accordingly, in a later episode, they set about extending their influence into the regional organizations. They appealed to the Chief Executive for the appointment of individuals to represent their interests within the regions. These Regional Business Managers, once appointed, carried the economic perspective deep into the regional organizations, carving underneath the regional General Managers and giving Business Managers a direct line of influence to operational activities. One commented:

People in the regions are used to doing things without asking. They find themselves subject to our scrutiny. I can take things up in a big way, if necessary, and howl for their blood.

And commenting on their influence, an operations manager in the regions observed:

Five years ago it would have been revolutionary to challenge what an engineer wanted to spend money on. Now it happens frequently.

Consolidating the emerging reality through symbolic events. Through interaction in meetings and elsewhere, many in the organization began to understand the Business Managers' emerging reality. Most also found it appealing. The continual attacks on the competence of public sector managers had worn morale down. To be business-like was "good", it gave them pride, and made the railway modern. Increasingly people came to share the normative symbolism of the "bottom line". But to a large extent this was uncoupled from their concrete day-to-day activities. Meaningful symbols relating to everyday tasks, events and recollections through which people could connect the business reality to their ongoing decisions and actions, were absent.

As the situation unfolded, this changed, however. In parallel with the formal changes, a sequence of important events was enacted. The Business Managers staged "contests" with the regional General Managers, forcing collisions between the railway culture and the business culture. As before, they worked through the bureaucratic structure of the railway. Focusing, in each episode, on a specific issue demonstrative of their concerns, they sought first to persuade the Chief Executive and his advisors. Once sure of this group's support, they set out to convert a wider group. Finally, they forced the issue for resolution. Again, each issue resolved opened up the possibility of the next. Three events stand out. They are reported in sequence.

The first concerned the disposition of locomotives and rolling stock. Over a period of time, one regional General Manager had been successful in acquiring resources to invest in high speed trains for passenger transport. These he zealously guarded against suggestions from other regional General Managers that they should be more widely dispersed on the railway network. The relevant Business Manager's analysis suggested that this situation was uneconomic. Profit could be improved by relocating some of these train sets to other regions. This Business Manager lobbied the Chief Executive and his advisors to have the location

decision determined by economic criteria. This was supported and the trains were moved. Commenting on this event, the relevant Business Manager observed:

Regional prejudices had stopped the movement of high speed trains to the areas where they could earn the most money. The General Managers were barons. You just didn't go into their territory. It was a sort of unwritten law. I got those trains moved early on, it was one of the first things I did.

A second event concerned capital investments. In this case, a major track was being upgraded to take faster trains. According to engineering precedent, it was usual to renew signalling equipment at the same time. The Business Manager's analysis indicated that this was neither necessary nor economic. Again, the Chief Executive was lobbied. The signalling was not renewed. As the Business Manager observed:

The main line was being electrified at significant expense. When wires are being strung over the track, it is customary to renew signalling equipment at the same time.

We can't afford it. Anyway, the existing signalling will last another 15 years. All we needed to do was immunize the signals for electrification. The General Manager and his engineers were horrified. "This isn't the way to run a railway", they said. "It's a cash flow decision".

A third decision concerned the scheduling of trains. Note that this is getting down to operational and logistical detail, by any standards the province of professional railway operators. Traditionally, train schedules had been set to maximize operational convenience. For the sake of passenger convenience, a Business Manager wanted to alter the schedule on a route. This intervention was bitterly resented by the regional General Managers. Even in this case, the Business Manager's judgement was supported by the Chief Executive.

Traditionally, timetables have been set for operational convenience. I was dissatisfied and wanted to change the frequency of trains on the route.

The General Manager was determined not to have it. I took it to the Chief Executive. I said to the General Manager half an hour before the meeting: "I've got to win, and will win, the writing's on the wall whether you like or not. I like you, why are you putting your head in a noose? Why don't you back off?". But he didn't (Business Manager).

All these events came to have a significance way beyond the decisions themselves. Each stood for a whole class of decisions, signifying the primacy of the business reality in relation to those kinds of decisions. The high speed train issue redefined all decisions concerning the location of locomotives and rolling stock as economic decisions. The signalling decision redefined all investment decisions as economic decisions. The scheduling decision established the economic nature of detailed operational issues.

These events coupled the business culture to concrete railway activities. They were widely celebrated in the organization, both in public documents and in internal discussions, and are recalled in explanations of the emergence of the business rationale for railway management. Cumulatively, they embrace almost all aspects of the railway. People used them to attribute a new meaning to their everyday activities.

Not all decisions went in the Business Managers' favour, though. Secure in their conversion of the majority of the senior management élite, the Business Managers sought to explore their new reality with those within the organization. As already noted, representatives were appointed in regional offices: Regional Business Managers. At first, these individuals reported formally to the regional General Managers, and were on their payroll. The Business Managers wanted to pay their salaries from their own budgets to avoid them having divided loyalties. Regional General Managers found this unacceptable.

Apparently the Business Managers acted too soon; they lost. But the momentum they had already established was too great and they came back to win support some weeks later. A Business Manager explained:

There was a famous breakfast meeting where I soundly lost. The organization was not ready. But of course, one

rises again. Later, we were on firmer ground. I raised the matter again, and I won the votes of everyone.

In the regions, a similar process of change seems to be being enacted. These individuals appear to be following a similar strategy, gaining contexts for interaction, persuading others of their views, and staging contests. The "bottom line" for each business is now decomposed into subsidiary "bottom line" accounts. In regional meetings, these managers reinterpret dialogue and debate through the subsidiary accounts. A sequence of new symbolic events is being enacted in each region. Commenting on his experiences, one Regional Business Manager observed:

At first we had to stand out there in front battling on our own. But now it's like a tide coming in. Nobody can actually fight the tide. I'm coming in on a surfboard really.

The picture then, is one of sequencing, momentum and cumulation. The Business Managers started on their mission with a vague concept of a business railway. They secured increasing contexts for interaction. Their ideas gradually became more concrete and they persuaded others around them. In an episodic manner, moving from the general to the particular, they secured changes to reporting relationships and systems. Each episode was punctuated by a key event. These events became symbols of the business culture, endowing railway activities with a new meaning, and provided a basis for continual and cumulative reinterpretations of railway operations.

Of course, there was tension. These decisions challenged the status of the regional General Managers and others who still subscribed to old beliefs. There was resentment and hostility. But the Business Managers let each step "soak" so the organization could acclimatize, before embarking on the next episode, and a majority of the senior management gradually converted

to the "business culture". Appealing to another metaphor, a Senior Executive commented:

We've lit a bonfire and it's burning like mad.

The Regional General Managers' perspective

Regional General Managers were steeped in tradition. They were the descendants of the railway pioneers, the bastions of the railway culture. The business culture struck at their values and beliefs. When asked why and how they had let these things happen, they responded:

It wasn't obvious at the time. The Business Managers were planners. We didn't expect the railway operations to change (General Manager).

One quoted from a memo he had written to his staff immediately after the Executive Committee meeting which had approved the principle of the Business Managers' appointment:

The respective roles of Headquarters and the Regions will not change ... Policies, as now will evolve from discussions. The Regions will participate ...

In fact, from the General Managers' perspective, the story is one of initial seduction, followed by surprise and ambivalence, defection and resignation. They were aware of external pressures for financial performance. Some thought it was a whim, and would pass. But most perceived a need for a business perspective, and supported the creation of the Business Managers' positions in the Executive Committee. When the Business Managers were appointed, most welcomed their influence. At an early stage, one General Manager commented:

This is good for us. I'm quite pleased at the way the culture is changing. You talk around now and nobody is in any doubt that the railway is business-led.

And another, commenting on the decision to relocate the high speed trains:

Why do we have fancy train sets? It's not for General Managers to play trains. It's to make the businesses more profitable.¹⁹

One joined the Senior Executives, representing the Business Managers. According to his critics, he is reputed to have seen "which way the wind was blowing", but he himself described it thus:

Initially I was opposed. But I saw the logic of the changes. I was converted.

Thus, most found the abstract normative symbolism of the "bottom line" appealing. They thought it "good" to be more business-like. They aspired to "private sector practice". Few perceived the underlying momentum of events or their potential significance. Acting out the new rationale, they thought they need have no fear for the railway traditions. In fact, sitting in their grand offices with portraits and plaques around their walls and other symbols of former grandeur, it was inconceivable to them that the railway traditions could be undermined by anything.

As the significance of the economic reality emerged through subsequent events, however, the situation became less congenial for them. It threatened their pride as professional railway operators. Commenting on the resignalling decision noted earlier, a General Manager said:

We'll have to do it all again in 15 years' time. It's not a sensible long-term decision.

Furthermore, the appointment of Regional Business Managers within their own organizations undermined their authority.

At this point, they protested vigorously. This prompted a report from the centre discussing the relationship between Businesses and the Regions. The report placated them with the soothing idea of Business Managers and regional General Managers as equals in a team-based organization. Nevertheless, the business perspective continued to impinge on operational matters.

Many General Managers became unhappy. They thought the emerging decisions unprofessional, and feared for the quality of the railway. By this time, however, their appeals fell on deaf ears. Most others among the senior management élite had converted to the business culture. The General Managers were characterized as reactionary, protective and old-fashioned.

Towards the end of the study, most of them left the organization or took "early retirement". One stayed in office a while longer. Shortly before his retirement he had this to say:

With the benefit of hindsight. I think the Chief Executive was right in allowing it through ... But it's gone too far ...

While I've been in office, through good engineering management, I've just about managed to get rid of all the speed restrictions on the main line. Business Managers are taking a maintenance holiday [i.e. neglecting maintenance]. In five years someone will be faced with exactly the situation I inherited.

Former regional General Managers have been replaced with sympathetic men. They repudiate the old traditions. They are proud to subscribe to the business culture. A newly appointed General Manager had this to say:

I personally feel that this new approach is right. I support the businesses. I see it as my job to influence my current staff to accept the business managers.

Far from being equals in a team, the regional General Managers are seen to be subservient to Business Managers. "Business managers set policy and standards; regions implement". Career patterns have changed. To become a regional General Manager was the ultimate aspiration for a railway-man; by the end of the field research it was to become a Business Manager. There was open discussion of removing the regional General Managers from Railway Executive.

ACCOUNTING AND CULTURE

Initially, there was a dominant "railway" culture. The Business Managers brought a

¹⁹ This General Manager claimed that he had repeatedly requested some of these train sets himself.

counter “business” culture. This cascaded across the senior management élite to become dominant. The Business Managers had an abstract idea of a business railway. New accounts were crafted representing the railway as a series of businesses. The Business Managers gained contexts to interact with others. In these contexts, they recast dialogue and debate from a railway language of operations and engineering to their business language of markets and profit. Gradually the idea of a business railway became more specific. Moving from remote concerns to immediate issues, they persuaded others of their interpretations. There were contests over the definition of specific activities. The outcomes became symbols through which people attributed new meaning to railway operations. Momentum built up behind the business culture. People converted, others left. For senior managers, the abstract idea became a tangible, energizing reality, a source of pride. Now the railway culture is repudiated.

A broad range of theories can be brought to bear to interpret the pattern of these events. Fundamental to this account is the notion of culture as a system of ideas: beliefs, knowledges and values in which action and artifacts are vested with expressive qualities (Geertz, 1973, 1983); and the idea that organizations have distinctive cultures (Pettigrew, 1979). This is exemplified in the contrasting “railway” and “business” cultures described. Associated with this is the conceptualization of organizational change as a process of uncoupling and recoupling (cf. Greenwood & Hinings, 1988): exemplified in the railway by the uncoupling of activities from the railway culture and their recoupling to the business culture.²⁰ We can also see a theory of inertia in operation, change being precipitated

by crisis (cf. Starbuck & Hedberg, 1977; Jonsson & Lundin, 1977; Mintzberg, 1978; Miller & Friesen, 1984). The railway culture was remarkably resilient over many previous decades, despite several attacks; real threats only being perceived when the severity of the current onslaught on the public services became apparent. There are also traces of the “garbage can” (Cohen *et al.*, 1972; March & Olsen, 1976): the Business Management idea was developed independently of the crisis, only subsequently coupled to the threats facing the organization.

Continuing, change was emergent (March & Olsen, 1976; Pettigrew, 1985). This was not a controlled process, relying on plans and rational analyses engineered by those standing outside, untainted as it were; the whole management group was bound up in the creation of the business culture. The process unfolded through tentative initiatives, buffeted by the timing of events, the ambition and (relative) political skills of the “champions” (Kanter, 1983) and other actors involved, and their failures and successes. Nor were the vagaries of chance unimportant²¹ (Pettigrew, 1985). Moreover, we see changes in systems (planning, capital investment, budgeting) interpenetrating the emergence and elaboration of the business culture.

It also is possible to appeal to the insights of institutional theory (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 1987; Zucker, 1988). Government, the railway’s key environmental constituency, was intolerant of (what it saw as) managerial incompetence. The Business Management initiative could be interpreted as a symbol of the railway becoming more modern and business-like: the “bottom line” idea

²⁰ This characterization, of course, emphasizes change; and there is also a sense in which there is continuity. The railway still runs trains, it still provides a transport infrastructure (of sorts), and it is still a very mechanistic bureaucracy. Nevertheless, managers in the organization currently emphasize change, and there is a sense in which linkages with the past have been ruptured, for the railway, as I will explain, is interpreted quite differently.

²¹ In ER, subsequent to the events described, there was an unfortunate accident in which one crowded commuter train collided into the back of another. A formal inquiry found that basic supervision of electrical rewiring in a signalling scheme had been neglected, attributing blame, in part, to ER’s pursuit of profit. It is interesting to speculate how outcomes might have differed had this accident happened two years before.

standing for the railway adopting private sector practices. Such solutions may have real and unintended internal consequences, however. One was the Business Managers amassing power and influence at the expense of the General Managers. Although a theoretically impoverished theory in this context, there is some link here with the strategic contingencies' perspective of intraorganizational power (Hickson *et al.*, 1971; Hinings *et al.*, 1974). Subsequent to the appointment of the Business Managers, the railway managed to persuade government to make funds available, on a one-off basis, for a major electrification project (giving rise to the signalling controversy discussed earlier). Apparently, approval was forthcoming as a result of the "rigorous business case" orchestrated by the relevant Business Manager.

The purpose here is not to discuss these theories further, however. It is to develop a cultural appreciation of accounting. The study shows that accounting was implicated differently in the two cultures described. At this point, it is appropriate to explicate its linkages to underlying knowledge, values and beliefs.

A cultural system incorporates, among other things, knowledge about environments, and strategies for extracting subsistence from them. This knowledge is quite different in the two cultures. In the railway culture it revolved around the public service idea, later coupled to notions of thrift. Essentially, the knowledge was this: if the organization provided the nation with a transport infrastructure (without undue waste), then sustenance would be forthcoming from government. This knowledge is not unique to the railway culture. The expectation that low-cost, generally available services will be rewarded by the state is common to many public service organizations in Europe, for example the health and education services. Given this knowledge, accounting was in-

cidental in the railway culture: it was necessary to ensure that revenues were accounted for and suppliers paid, and perhaps to contain waste, but that was the limit of its significance in the structures of meaning. The purpose of the railway was to run trains; operating the railway would be rewarded by government. In this knowledge, the train, therefore, was endowed with a special significance.

The business culture, revolving around the "bottom line", incorporates a quite different knowledge. Rather obviously, in view of events in ER, the bottom line constructs the notion of the railway as a profit-seeking enterprise. This is not just a matter of "cost efficiency", however, although that is important. More importantly, in ER it constructs the idea of looking to product markets, rather than to government, for sustenance. There is nothing somehow uniquely "public service" about the railway network in this construction. Rail transport is a product (or service), to be bought and sold like any other; in fact it is a series of products: intercity travel, freight, suburban commuting, etc. Revenues from these products, rather than government support, must cover costs; and, critically, revenues are earned in the market place. Survival depends on extracting resources from these markets, perhaps in competition with other firms. Hence the new-found concern for competition with other means of transport (road, air, buses), expressed by railway managers early in the account above, a concern which in the railway culture would have been probably inconsequential.²² Given this knowledge, accounting activities become hugely significant. The search for profit opportunities, and the elimination of non-profit-making activities, is a quest for survival. It is now the customer, not the train, which has special importance.

No culture is completely coherent, of course. Each has ambiguities and contradictions. In ER, residues of the past create tensions. One is the

²² A Business Manager's comment on market research is also interesting in this respect: "The single most important question we ask is: 'Are you more likely or less likely to travel on the railway as a result of your most recent journey?'" This question would have been substantially irrelevant in the railway culture.

partial incompatibility of the business culture with the restrictions placed on it by state ownership. ER is not allowed to borrow in financial markets to fund investment, for example, and as government funds are tight, this means investments necessary for competitive purposes cannot always be made. It also has statutory obligations to keep certain branch lines open, even if they are unprofitable. Here it still looks to government for support (although a government conceptualized as a customer). Nevertheless, the underlying knowledge systems are quite different, and constitute different realities.

This shift in knowledge which accounting helps to construct, the shift from looking to the state for subsistence to looking to markets, is fundamental, and it interpenetrates the operation and management of ER's core technology with pervasive effects. For a start, it changes the appropriate form of organization. In the old knowledge, the prime task was the operation of trains. The meaningful management structure was one which facilitated operations. The physical facilities of the railway are geographically laid out along the radial routes of the old pre-nationalization companies. Thus the appropriate management organization was around these routes, i.e. the regional management structures. The regional General Managers and engineers, because of their acknowledged expertise in operating trains, were afforded substantial status and influence.

Now, in the new knowledge, this is "mere" production, subservient to markets. The prime task is serving markets. The meaningful form of management organization is one which reflects and confronts markets. Since the long distance intercity travel market is not confined to one main line, for example, or the freight market confined to one region, the regional and business forms of organization do not map perfectly onto one another. Hence the re-orientation of management structures and systems around the Business Managers, and their subsequent elaboration through the Business Manager's subordinates located in the regions. Of course, there is still an operational task to be

performed: trains, tracks, maintenance and so forth. But in this new knowledge it is Business Managers, with supposed expertise in markets and extracting resources from them, who attract status and influence.

The changing knowledge also redefines the appropriate form of action. In the old knowledge, that of the celebration of the train, there were norms that made things intrinsically necessary. "Of course" professional railwaymen renewed signalling equipment when they electrified the track, for example; it was inconceivable not to do so. The train needs to be taken care of and nurtured. The interest in thrift, the avoidance of waste, also meant the elimination of activities not strictly necessary for the operation of trains: training staff to smile at customers, for example. In the new knowledge, activities are neither intrinsically necessary, nor intrinsically wasteful. Rather they are judged for their consequences in the market. Through the "bottom line", activities become desirable to the extent that they add more "value" than they cost. This is not simply cost minimization: the avoidance of unnecessary gold-plating. The "bottom line engineering specification", mentioned earlier, means designing for the market, as it were: adding comfort, reliability, speed, customer service where its returns outweigh its cost. Attractive concourse design is not wasteful extravagance, it is reinterpreted as a "good" thing which brings in custom.

Action is also judged against a different concept of time. In the old knowledge, time was practically infinite. The railways were built to last for decades, for centuries. The nation would always need a transport infrastructure. Professional standards were oriented towards doing a long-lasting thorough job. Government would reward the railway for maintaining the viability of the network into the future. In the new knowledge, the concept of time is much shorter. Survival is a day-to-day affair. Markets are ephemeral. Don't spend money now on activities that you can put off until the future. Take "maintenance holidays" where you can: deterioration of the infrastructure can be remedied later.

The point being made here is that accounting can play a significant role in constructing specific knowledges. Accounting systems embody particular assumptions about rationality, organization, authority, time and so forth. If these permeate into underlying values, knowledges and beliefs they can have very real consequences. Above we see accounting coming in to the organization to construct a new theory of subsistence, which in turn implies particular modes of organizing, patterns of influence and authority, criteria for action and a new concept of time.

The cultural knowledge described here was not discovered completely formed. Nor was it coupled to the railway's management structures (or to action) in an instant. Rather the meaning of the bottom line gradually crystallized around the initial accounts, and the coupling had to be actively crafted. The business culture unfolded in episodes: bursts of exhausting creativity, each building on what had previously been accomplished, and punctuated by a concluding event; followed by a pause for consolidation, recovery and imagination before the next. Successive episodes moved from the abstract realm to the particular; from long-term issues to immediate issues. In each, senior management struggled to reconceptualize a class of activities; then it was uncoupled, or perhaps one should say wrenched, from the railway culture and recoupled to the business culture. Again and again these episodes continued, until cumulatively practically all classes of railway activity were redefined. Later, in the regions, a similar process of episodic uncoupling and recoupling was enacted. In the process, linkages to the railway culture were only bit-by-bit ruptured.

The general point arising is that organizations have different classes of activity. Cultural change is not simply uncoupling and recoupling, or even reconceptualization. Each class of activity may need to be separately uncoupled and recoupled. During the process, different classes of activity may be informed by different rationales and knowledge. In ER, this led to a strange schizophrenia in the organization (and

difficulties in making sense of the data), in which some activities were railway-culture issues, and some business-culture issues. It also led to strange disjunctures between the interpretive schemes brought to bear in the head office and in the regions. Only towards the end of the research did this schizophrenia begin to be resolved.

This process, however, needs to be enveloped in an awareness of the conditions for its possibility, conditions for the emergence of the particular culture described. In some ways, perhaps, the business culture in ER may be seen to be inevitable. Today, the belief in markets (as an optimal form of organization) seems to be firmly entrenched in Anglo-American political cultures, and in those of some continental-European states. Governmental pressures, inevitably, in this view, led to investment in financial calculation and the construction of the railway as a business enterprise. Support for this "theory of inevitability" might be sought by retrospective application of the present political determination to privatize ER, or at least some of its businesses.

As Fligstein (1990) notes, in a rather different critique, such an interpretation relies on understandings of the present to construct appreciations of the past: interpreting the past through the present, rather than the present through the past. ER had a remarkably strong heritage which survived previous attacks. In the early 1980s, its privatization was not just undiscussed, it was inconceivable. Arguably, the business culture in ER, the reconstruction of the railway through the "bottom line(s)" as a series of businesses, actually created preconditions for the discussion of privatization, not vice versa.

For sure, the early 1980s witnessed the beginnings of the sea change in attitudes towards the public services that swept across the political culture later in the decade. Through influential right-wing think-tanks the idea of subjecting public services to an entrepreneurial principle was then emerging, later to be manifested in the "rolling back" of the public sector through the privatization of many public utilities and attempts to introduce market

mechanisms in others. Associated with this was the emerging idea of the "dependence" culture, and its repudiation; to be replaced by an "enterprise" culture. Individuals, and organizations, were expected to take a responsibility for their own destiny.

However, the initiative for business management in ER, conceived in the late 1970s, preceded these political developments, and appears to have been a substantially autonomous development in a separate arena: as one of the initiators in the senior management group explained, it was "the product of thinking railwaymen". Explicating this claim would require careful analysis of historical materials beyond the scope of this paper. But such evidence as is available supports the view that the initiative was developed largely independently of political ideas, its private sector leanings probably owing more to the advice of a few business consultants than to any political agenda. Certainly it was not government-inspired; indeed government was initially sceptical, only later endorsing the ideas (and applying them to its own ends).

That said, the initiative was congruent with the ideas emerging outside, and its subsequent elaboration into the business culture undoubtedly owes much to their development. Even here, though, due importance must be attached to the specific circumstances within the organization. Public sector management was under challenge, morale was low. Many in the senior management group were receptive to the new ideas. Business Management was seen as a home-grown solution to governmental attack. It expressed some kind of empowerment, a potential freedom from the yoke of government restriction, and an opportunity for managers to show their entrepreneurial capabilities.

CONCLUDING COMMENT

The purpose of this paper is to articulate a cultural analysis of accounting in organizations. The appreciation of organizations as cultures

provides a rich insight into organizational life, drawing out the expressive qualities of action and artifact. Cultural knowledge in organizations vests organizational activities with symbolic meanings; so also it vests accounting with symbolic meaning. A cultural analysis of accounting seeks to uncover these particular meanings, and to locate them in underlying local knowledges, values and beliefs.

The paper has sought to apply this cultural perspective in an empirical setting. Through a field study of organizational change, it showed how accounting can be vested with different meanings in local cultures. And it showed how accounting can enter into organizational settings to constitute cultural knowledge in particular ways, creating particular rationalities for organizational action; and in turn how this can lead to new patterns of organization, of authority and influence, new concepts of time and legitimate action. The study also traced the emergent, episodic process through which cultural knowledge was constituted in this organization, and coupled to organizational activities.

The study certainly fleshes out the constitutive potential of accounting proposed by Hopwood (1987), Hines (1988) and others. However, the specific findings of the field study — the reorientation of a strategy for subsistence from government to markets, and its subsequent elaboration; and the process through which this realization was accomplished — are not offered as a general proposition on the cultural significance of accounting. Accounting systems are implicated in organizational cultures in different, possibly unique ways. The cultural knowledge constructed in this organization is but one possibility; there are many others. In this, as in other fields, "the road to the grand abstractions of science winds through a thicket of singular facts" (Geertz, 1973, p. 145).

Rather, the purpose of the field study is to explicate a mode of theorizing linkages between accounting and culture. The mode of theorizing is interpretive, getting underneath surface descriptions to understand the significance of accounting in local settings; and it is reflective,

in the sense that the theorist reflects on that significance in the context of the underlying ideational system. Applying this mode of analysis in different settings would contribute hugely to our emergent appreciation of the way in which accounting is used in organizations, usefully supplementing the more quantitative approaches to research pursued by contingency theorists, for example. It may be particularly valuable also in the development of comparative theories of the use of accounting in different social contexts. We know, for example, that accounting systems within organizations in different countries are often not that dissimilar to Anglo-American designs; it seems, however, that they may be used quite differently. The mode of theorizing advanced here would enable us to address this issue in a productive way.

Finally, while the paper has deliberately refrained from casting judgements on the developments described in the organization studied, it is probably worth acknowledging that there is widespread criticism of "bottom line" orientations such as those described here, particularly for their construction of time. Far from creating an underlying competitiveness in organizations, the preoccupation with the "bottom line" is seen to discourage technological innovation and investments in operational capability (e.g. Hayes & Abernathy, 1980; Johnson & Kaplan, 1987). ER, it seems, has adopted this vocabulary just as those organizations that have it are being

exhorted to move towards longer-term, more strategic appreciations of time. In the railway, assets have long lives and the lead-time on capital investment is also long. To some extent the maintenance of the infrastructure is inevitably compromised by its new culture. Quite possibly with innovations in transport, the railway network will be an irrelevance in 50 years' time; on the other hand, it may not be. The green lobby, in particular, might argue that it is sensible to keep options open in a way that at present may not be possible.

Postscript

The process of change in ER continues. The regional management structure is today being dissolved. The operational side of the railway is currently being reorganized and assimilated into the Businesses. The crafted accounts representing the railway as a series of businesses have now permeated through management structures and systems to operations on the ground. The railway quite literally has become its businesses. There are no longer any regional General Managers, no vestiges of the railway culture ... or are there? High up on a building above one of the main-line termini, out of sight except to observant motorists on a nearby fly-over, there is a residue of the past: a large illuminated logo – the logo of a pre-nationalization railway.

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