INSTITUTIONAL CONTRADICTION AND THE BALANCED SCORECARD: A CASE OF UNSUCCESSFUL CHANGE

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ABSTRACT
The paper examines an unsuccessful case of management accounting change in a privatised electricity company in Brazil. The Balanced Scorecard (BSC) implementation in Electra was a case of unsuccessful change, as it was decoupled from the company's day-to-day activities and therefore it was not institutionalised in the organisation. The BSC implementation was initially motivated by technical reasons and lately by legitimacy reasons. The BSC was implemented in 2005, when the management accounting systems introduced in the organisation after privatisation had already been institutionalised, that is, accepted and used on day-to-day basis. The dialectical perspective postulates that in order for change to become institutionalised in the organisation, it needs to overcome the problem of embedded agency. This process of change is possible due to the accumulation of institutional contradiction that enables human praxis to introduce change (Seo and Creed, 2002). In the case of Electra, the implementation of the BSC was not motivated by institutional contradictions, such as nonadaptability or efficiency gaps. It is advocated the BSC implementation was unsuccessful, because this change was not enabled by the accumulation of institutional contradictions, but the BSC was motivated by legitimacy reasons. Therefore, the BSC could not supplant the previous performance measurement system which was introduced after the privatisation. In order to conceptualise this case, this study proposes a new theoretical framework that focuses on the importance of studying institutional contradictions and human praxis in the process of change regardless the success or not of the change initiative.

Key-words: management accounting change; dialectical perspective; institutional contradiction; balanced scorecard.

Área temática: Controladoria de Contabilidade Gerencial

1. INTRODUCTION

The paper examines an unsuccessful case of management accounting change in a privatised electricity company in Brazil. The case company (Electra) faced intra and inter organisational pressures to introduce changes into its management accounting system, following its privatisation. Most of the management accounting changes, such as the new performance measurement system and the new budgetary systems, were successfully implemented and institutionalised (Burns e Scapens, 2000) in the organisation. However, the implementation of the Balance Scorecard was unsuccessful, and as a consequence, this system was decoupled from the day-to-day activities of the organisational actors. Therefore, this paper aims to investigate the unsuccessful implementation of the Balanced Scorecard in the case study company. The paper has the following research question: Why was the Balanced Scorecard unsuccessfully implemented in Electra? This research question led us to ask two more specific questions: (1) how was the implementation process of the Balanced Scorecard in Electra? And (2) do the dialectical concepts of institutional contradictions and praxis can be used to explain a case of unsuccessful change?

The management accounting literature is paying considerable attention to the process of change in management accounting. Some authors, such as Lukka (2007), consider the publication of the papers by Hopwood (Hopwood, 1983; 1987) as the starting point in the discussion about accounting change. The emerging interest in management accounting change has contributed to the increase in the number of studies in this field. There have been various studies of management accounting change and the diffusion of new practices. Some research in this area has been guided by a broad range of social theories with some adopting a managerialist emphasis, while other studies have taken a wider view of the organisation and the various stakeholders who influence the change process. Many studies have drawn on the two streams of institutional theory, namely old institutional economics (in particular the Burns and Scapens' (2000) framework) and new institutional sociology (Tsamenyi, Cullen *et al.*, 2006; Hopper e Major, 2007; Kholeif, Abdel-Kader *et al.*, 2007) to explain the process of management accounting change. However, some authors argue that institutional theories offer more insight into the processes that explain institutional stability than those that explain institutional change (Seo e Creed, 2002; Burns e Baldvinsdottir, 2005; Burns e Nielsen, 2006). Burns and Baldvinsdottir (2005, p. 728) highlight that "a problem that has been pertinently raised by some scholars is that existing institutional frameworks of management accounting change (notably Burns and Scapens, 2000) lack detailed conceptualisation of institutional change".

The difficulty in explaining change is due to the fact that institutional theory postulates that the actions of organisational actors are constrained by internal and external institutions. As a consequence, institutional theory is unable to answer many questions, such as how organisational actors come to recognise the need to change, and how organisational actors recognise the opportunities and alternatives for change? (Burns e Baldvinsdottir, 2005). In order to overcome this theoretical dilemma, Seo and Creed (2002) proposed a framework which uses a dialectical perspective based upon Benson's (1977) paper to explain institutional change. The main pillar of this framework is the view that institutional change should be understood as an outcome of the dynamic interactions between institutional contradictions and human praxis. In management accounting change research, a number of authors (Burns e Baldvinsdottir, 2005; Abrahamsson e Gerdin, 2006; Burns e Nielsen, 2006; Hopper e Major, 2007; Sharma, Lawrence *et al.*, 2010) have started to use the Seo and Creed's (2002) framework to explain the process of institutional change in management accounting. This paper focuses on the importance of studying institutional contradictions and human praxis in the process of change regardless the success or not of the change initiative.

This paper contributes to the recent literature on management accounting change, stability and especially on loose coupling. Many researchers have used the concept of loose coupling to denote differences between formal rules aimed at securing external legitimacy and actual day-to-day practices in the company (Steen, 2011). In early institutional theory, it was argued that loose coupling emerged automatically in response to external pressures for legitimacy (Nor-Aziah e Scapens, 2007; Cruz, Major *et al.*, 2009; Steen, 2011). However, the recent literature on this issue has come to be explained as: (a) a more purposeful response to secure more time for adaptation, and therefore, decoupling can occur through the working out of a complex and dynamic process of resistance to accounting change (Siti-Nabiha e Scapens, 2005); (b) a way to avoid resistance and conflict arising from institutional contradictions (Nor-Aziah e Scapens, 2007); (c) a way to maintain ambiguous and sometimes contradictory rules and goals (Lukka, 2007); (d) a result of the introduction of variations in accounting practices to accommodate local differences (Cruz, Major *et al.*, 2009); and (e) as a result of the ongoing reproduction of routines, at the level of groups of individuals (Steen, 2011). We have incorporated this recent research on loose coupling into our framework, but we argue that the concepts of institutional contradictions and human praxis are paramount to understand and explain unsuccessful cases of management accounting changes. Therefore, the paper theoretical framework starts from the view that if the process of change was driven by weak institutional contradictions or no apparently institutional contradictions, the outcome inevitably will be an unsuccessful change.

The remainder of the paper is organised into five main sections. First, we explain the theoretical background and framework adopted in this study. After this, the research method and the case study company are described. The following section deals with the case study by explaining the Balanced Scorecard implementation and the reasons for its failure in the case study organisation. The next section discusses the main research finds by using the theoretical framework and constructs adopted in this paper. The final section provides concluding comments.

2. INSTITUTIONAL CONTRADICTIONS – THE THEORETICAL FRAMEWORK

The concept of contradictions is key to Seo and Creed's (2002) framework, because it can explain when, how and why institutionally embedded agents might come to challenge, and subsequently attempt to change, their and other's taken-for-granted beliefs and ways (Burns e Baldvinsdottir, 2005). As a consequence, institutional contradictions can contain the seeds of institutional change. Contradictions, which generate conflicts among the organisational actors, create the conditions for institutional change to take place because groups or individuals recognise the need for change and, subsequently, put ideas into practice through human praxis (Burns e Nielsen, 2006).

Seo and Creed (2002) identified four sources of contradiction: technical inefficiency, nonadaptability, institutional incompatibilities, and misaligned interests. First, isomorphic conformance to the prevailing institutional arrangements to obtain legitimacy might be at the expense of technical efficiency. A number of authors highlight that conformity to institutional arrangements may conflict with technical activities and efficiency demands (Meyer e Rowan, 1977; Powell e Dimaggio, 1991). The possibility of loose coupling can lead to a discrepancy between the functional/technical requirements of the company and institutional requirements.

Second, contradictions can arise from non-adaptability to the external environment. According to Burns and Baldvinsdottir (2005) once institutions are in place, they tend to be self-enforcing and taken-for-granted. As a result, there is little or no response to shifts in external factors due to psychological and economic lock-in towards (internal) institutional arrangements. The third source of contradiction is related to intra-institutional conformity that creates inter-institutional incompatibilities. In other words, conformity to specific institutional arrangements often leads to conflict with alternative institutions. Finally, the fourth source of contradiction is due to political struggles among various participants who have divergent interests and asymmetric power (Seo e Creed, 2002). Seo and Creed (2002) point out that actors whose ideas and interests are not adequately served by the existing social arrangements can act as potential change agents who, in some circumstances, become conscious of the institutional conditions.

Institutional contradictions are the essential driving forces of institutional change, but they do not inevitably lead to institutional change. Seo and Creed (2002) state that human praxis is a necessary mediating mechanism between institutional contradictions and institutional change. Praxis defines human agency of a political nature which, though embedded in existing institutions, attempts to influence and secure change in the institutional configuration (Burns and Nielsen, 2006). In the same vein, Benson (1977, p. 5-6) emphasises that "people under some circumstances can become active agents reconstructing their own social relations and ultimately themselves". Praxis can be defined as "a particular type of collective human action, situated in a given socio-historical context but driven by the inevitable by-products of that context-social contradiction" (Seo and Creed, 2002, p. 230). In addition, Benson (1977, p. 1977) state that the aim of praxis is "the free and creative reconstruction of social arrangements on the basis or a reasoned analysis of both limits and the potentials of present social forms".

Although contradictions may create openings for institutional change, it is praxis that encapsulates the 'doing' of change (Burns e Baldvinsdottir, 2005). According to Seo and Creed (2002, p. 230) praxis has three component parts: (1) actors' self-awareness or critical understanding of the existing social conditions, and how these social conditions do not meet actors' needs and interests; (2) actors' mobilisation, rooted in new collective understandings of the institutional arrangements and themselves; and (3) "actors' multilateral or collective action to reconstruct the existing social arrangements and themselves". In addition, Benson (1977) points out that praxis involves two moments: (a) reflective, when actors critique existing institutions and search for alternatives; and (b) active, when political mobilisation and collective action take place.

Figure 1 depicts the theoretical framework adopted in this paper. The framework is divided into 2 parts: successful change and unsuccessful change. We draw on the Burns, et al. (2003) definition of successful and unsuccessful changes. According to these authors, successful change is the one which was introduced into the organisation and was institutionalised, that is, taken-for-granted by the majority of the organisational actors, while unsuccessful change is the one that was introduced into the organisation, but it was not institutionalised. The successful change part of the framework is integrally based on the Seo and Creed (2002) framework with only one modification. The modification was the introduction of the concepts of strong institutional contradictions and weak institutional contradictions. The former are the contradictions that are able to mobilise organisational actors to introduce successful changes, while the latter does not have ability to mobilise human agency to introduce and/or institutionalise changes.

As a result, the successful change is motivated by strong institutional contradictions (technical inefficiency, nonadaptability, institutional incompatibilities, and misaligned interests) that will trigger and enable human praxis to introduce institutional changes which are enacted and reproduced over time to become institutionalised in the organisation. The organisational practices are changed through human actions via the process of institutionalisation: encoding, enacting and reproduction (Burns e Scapens, 2000). There is a shift in the collective consciousness of actors from a passive mode to a reflective and active one stemming from contradictions (Sharma, Lawrence *et al.*, 2010). Once these internal change agents become active, they will mobilise other actors and resources to introduce institutional change. Strong institutional contradiction provides the motivation for promoting alternative institutional arrangements through the collective action of actors on an ongoing basis (Seo e Creed, 2002; Sharma, Lawrence *et al.*, 2010).

The second part of the framework deals with the unsuccessful change, the view is that if the process of change was driven by weak or no apparently institutional contradictions, the outcome inevitably will be an unsuccessful change. Therefore, the lack of institutional contradiction will not trigger and enable human agency to introduce change that will become institutionalise, as a consequence, there is no shift in the organisational actors' consciousness and no actors' mobilisation to introduce change. The theoretical framework predicts three outcomes for the process of change that was driven by no or weak institutional contradictions, they are: (1) failure (no implementation); (2) loosing coupled; (3) termination. The first outcome occurs when the change initiative is terminated in the early stages of the process of implementation, and as result, this change did not go through the first stages of the process of institutionalisation, that is, encoding and enactment. The other two outcomes occur when the change went through the process of institutionalisation, but during the process of enactment the change initiative was subjected to resistance. Burns and Scapens (2000) state that resistance to change can arise in the enactment stage, especially if the new rules and routines challenge existing meanings and values. Based on this view, the theoretical framework postulates that the new practice that was subjected to resistance will be terminated and the change initiative ends or the practice will be decoupled from day-to-day activities of the company (loosing coupled).

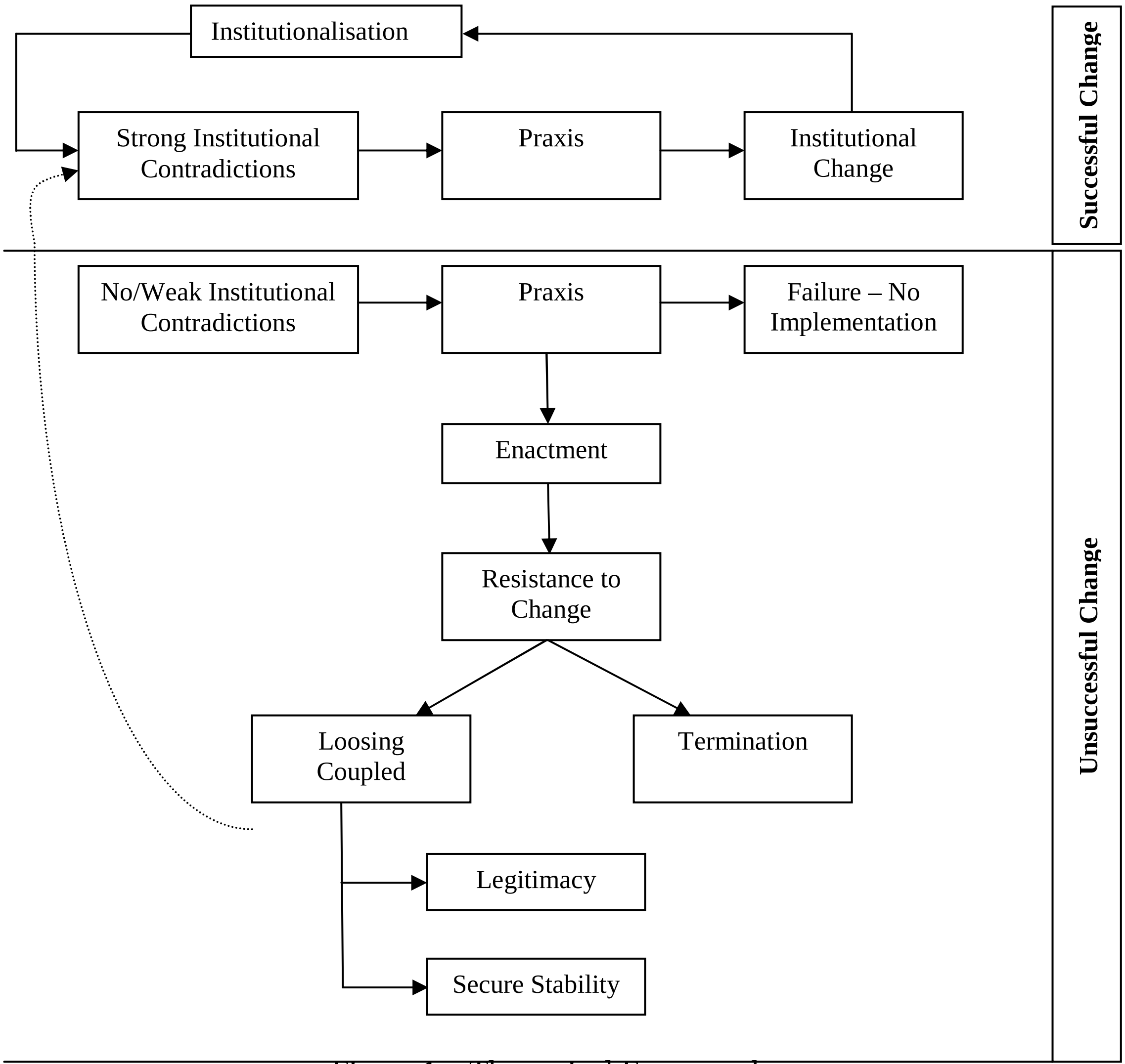

Figure 1 – Theoretical Framework

The loosing coupled outcome can be motivated by two reasons: to gain external legitimacy or to secure stability. One of the core premises of institutional theory is that organisational success depends on factors other than technical efficiency; organisations gain legitimacy and needed resources by becoming isomorphic with their institutional environments (Meyer e Rowan, 1977; Dimaggio e Powell, 1983). As a consequence, accounting practices are used as rationalisations in order to maintain appearances of legitimacy, and therefore, these accounting practices are decoupled from the actual technical and administrative processes. Dillard, et al. (2004, p. 508) conclude: "organizational activities are motivated from the imperative of legitimacy-seeking behaviour, which in turn is influenced by socially constructed norms. For organizations to survive, they must interact with their environment in ways perceived as acceptable to their various constituents in that environment".

However, the recent literature on accounting change and loose coupling has criticised the institutional theory view that loose coupling emerges automatically in response to external pressure for legitimacy (Nor-Aziah e Scapens, 2007; Cruz, Major *et al.*, 2009; Steen, 2011). Taking this criticism into consideration, the theoretical framework uses the umbrella term "secure stability" to address the recent literature on this issue (Siti-Nabiha e Scapens, 2005; Lukka, 2007; Nor-Aziah e Scapens, 2007; Cruz, Major *et al.*, 2009; Steen, 2011). The "secure stability" outcome shows that loose coupling can occur through the working out of a complex and dynamic process of resistance to accounting change which simultaneously involves both stability and change (Siti-Nabiha e Scapens, 2005). Therefore, this concept aims to address the recent literature on loose coupling that explain it as: (a) a response to secure more time for adaptation (Siti-Nabiha e Scapens, 2005); (b) a way to avoid resistance and conflict arising from institutional contradictions (Nor-Aziah e Scapens, 2007); (c) a way to maintain contradictory rules and goals (Lukka, 2007); (d) a result of the introduction of variations in accounting practices to accommodate local differences (Cruz, Major *et al.*, 2009); and (e) as a result of the ongoing reproduction of routines, at the level of groups of individuals (Steen, 2011).

Finally, the dashed arrow that connects the loosing coupled box to the strong institutional contradictions box represents the Seo and Creed (2002) view that loose coupling can lead to a discrepancy between the functional requirements of the company and institutional requirements which will cause over time strong institutional contradictions (technical inefficiency) that will start up the process of organisational change and will trigger human praxis to introduce changes into the organisation. Therefore, the theoretical framework postulates that loosing coupled practices are potential sources of institutional contradictions, as those practices undermine the functional efficiency of the organisation.

4. RESEARCH METHOD AND CASE COMPANY

Electra (case study company) is a Brazilian electricity distribution company which was created in the 1960s when two electricity companies were merged to form a state-owned organisation controlled by the company's state government. It is important to highlight that in terms of the Brazilian electricity industry a distribution company has two activities: network function and supply function. Therefore, the Brazilian model is different from some countries, such as the UK where these two activities (distribution and supply) are performed by different organisations.

The case study organisation was privatised in 2000. Electra was acquired by a pool of three organisations: two Brazilian companies and a Spanish organisation. This holding company had taken over two other Brazilian electricity distribution companies before purchasing the case study company. At the time of privatisation, the case study organisation had more than 1.8 million consumers, production of about 7 Gwh, and more than 3,000 employees. However, the case company was suffering severe problems, such as commercial deficits and a high level of commercial loss.

Table 1 provides information regarding the performance of this company in 2007 in order to give an overview of this organisation.

Indicator	**Approximated Value (for confidentiality reasons)**
Turnover	£ 800 million
Electricity sales (Mwh)	> 7.5 million
No. of consumers	> 2.5 million
No. of employees	> 1,500

Table 1 – Case Study Company Key Information

The study analyses the changes in management accounting that occurred in Electra in a period of 8 years, that is, from 2000 (the privatisation year) to 2007. Semi-structured and face-to-face interviews constitute the primary method of data collection in this study. In summary, over the period of 6 months, 50 interviews were carried out for a total amount of 64 hours. 25 interviewees are people who worked in the case study company during the privatisation process. Among these 25 interviewees, 16 are still working in Electra, which represents 33% of the people interviewed in this study. Interviews were carried out among 8 different organisations, which are: (a) Electra; (b) Electra's parent company; (c) the holding company of the group; (d) the regulator (ANEEL); (e) Electra's State regulator agency; (f) the association of accountants of the Brazilian electricity sector (ABRACONEE); (g) the Brazilian electricity distribution companies association (ABRADEE); and (h) the Brazilian development bank (BNDES).

Besides generating data from interviews, other sources of data were used to collect evidence. Several documents were collected from Electra, its parent companies, the holding company, the regulator and the Brazilian electricity distribution companies association (ABRADEE). Also, external documentation pertinent to these organisations, such as newspapers and magazine reports, were gathered. Another source of data was through informal conversation. The researcher worked in an office near the case study organisation with the former head of the accounting department, who is now a consultant, during the field work. The former Electra's superintendent of control and finance and the former Electra's manager of the accounting department also work in this consultant firm.

This study adopted Miles and Huberman's (1994) methods of analysing qualitative data. This consists of three complementary flows of activities: data reduction, data display, and conclusion drawing and verification. Data reduction involved selecting, focusing, simplifying, abstracting and transforming the data in the field notes and interview transcripts. After transcribing the interviews, or at the end of each visit to the field if the purpose of the visit was other than interviewing organisational members, field notes and/or interview transcript were studied carefully. The process was then followed by coding. Initial codes were broad categories developed from research questions and data from several first interviews. The codes were continuously refined as the research continued and at the end of the data analysis 48 codes were created to support the case analysis. The process of coding and categorising data was conducted with the aid of the qualitative data analysis software package NVivo 8.0. Data was organised and displayed in charts, graphs, and metrics to aid further analysis. Themes and patterns emerged, guiding further data collection, and they were further refined in the process. The subsequent third stream of activity analysis was the drawing and verification of a conclusion based on the criteria of plausibility, sturdiness and confirmability (Miles e Huberman, 1994).

5. THE CASE

The BSC implementation started in 2005 when the holding company decided that all the organisations of the group had to adopt the BSC as a performance measurement system. The BSC system was firstly implemented in another distribution company of the group. After the process of restructuring which took place in mid 2004, the holding company established that the management and control systems should be standardised among the different companies of the group. As a consequence, the BSC was imported from this distribution company. However, BSC has not been capable of replacing the budgetary control system and performance measurement system implemented just after the privatisation in mid 2000. Therefore, the BSC was not institutionalised in the organisation and it became decoupled from the managers and employees' day-to-day activities.

This section explains the implementation of the Balanced Scorecard as a case of unsuccessful change (Burns, Ezzamel *et al.*, 2003). According Burns and Scapens (2000), after the process of encoding of the new set of routines and rules, the new practices should be enacted in the organisation. However, during the process of enactment the new practices can be accepted and reproduced on day-to-day basis; or the new practices can be subject of resistance that can lead to the end of the change initiative or the practices can be decoupled from the day-to-day activities of the company. In the case of Electra, the Balanced Scorecard was decoupled from the managers' day-to-day activities.

The BSC implementation was not driven by any apparent source of contradiction (Seo e Creed, 2002) in Electra. As discussed previously, the implementation of the BSC in Electra was due to the restructuring process of Electra, when the holding company decided to reinforce the need of harmonising the management accounting practices among the companies of the group. The BSC was implemented in Electra's parent company in 2003 and the holding company decided to adopt the BSC in the other organisations in 2005. The Manager of the Planning and Control of Electra's parent company explained:

> *"The BSC started to be implemented in the holding company in 2003. The company's CEO was a foreigner manager and he spent some time on the holding company's headquarter in Europe, where he had contact of this tool. After this visit, he decided to implement the BSC in the organisation with the support of the planning and control department. After that, the BSC project was presented to the holding company and holding company decided that all companies should adopt the BSC methodology."*

From the interviews and document analysis, it is not clear the specific reason to adopt the Balanced Scorecard in Electra. The Director of Planning and Control of the Holding Company reinforced this perception by commenting:

> *"There is no specific reason to use the Balanced Scorecard methodology. One manager in one company of the group did a master's dissertation about the Balanced Scorecard in our group and I liked the idea and I decided that the other companies should use the same methodology. That was the reason."*

The decision to implement the Balanced Scorecard was not driven by the needs of business, such as the need of a balanced approach to address the growing complexity of business and business environment. It seems that the implementation of the Balanced Scorecard was somehow connected to the concept of fads and fashion on the diffusion of management practices (Abrahamson, 1991; Malmi, 2001; Ax e Bjørnenak, 2005; Ax e Bjornenak, 2007; Modell, 2009). Perera, et al. (2003, p. 149) explain that: "Fashion, in adoption of innovation, occurs when an organization mimics the ‘best practice’ technologies of another organization or organization sector with the objective of signalling to stakeholders its consistency with those practices”. Regarding the implementation of the Balanced Scorecard, the study of Malmi (2001) on the adoption of the BSC in Finish companies, which was based on 17 organisations, identified that a high number of interviewees mentioned motives which relate to managerial fads and fashion to implement the BSC. In the same vein, the study of Ax and Bjørnenak (2005, p. 16) in the Swedish context found out that: “The communication structure of the BSC in Sweden exhibits obvious features of the fashion-setting process described by Abrahamson”. Abrahamson (1996, p. 257) defines fashion-setting processes as: “the process by which management fashion setters continuously redefine both theirs and fashion followers’ collective beliefs about which management techniques lead rational management progress”. In the context of Electra, the issue of fad and fashion on the diffusion of management accounting practice can be seen on the comment provided by the former Electra’s CEO. He pointed out:

> *“The implementation of the Balanced Scorecard was the next stage in the process of Electra’s modernisation. Electra’s parent company was the pioneer in the development of the Balanced Scorecard in the group. Then, I would say that after some years after the privatisation, it was the time to refine the management and planning systems in accordance with the fashion management theories of the time. These management tools have a strong relationship with fashion.”*

From the analysis of this statement, it is possible to state that while there some technical justifications for BSC adoption in Electra, the specific choice was also largely influenced by the legitimacy of the BSC established by the disseminators of the BSC, industry associations and public opinion. Positive feelings about the legitimacy the organisation can obtain from having implemented BSC helped secure an initial support for BSC from the Electra and holding company’s top managers. A number of organisational actors believed that BSC could help Electra create a ‘modern’ image and gain legitimacy from the public opinion. However, this is not to suggest that the organisation was simply forced by external institutional pressures to adopt the BSC for legitimacy purpose. In general, it is not possible to reach a clear decision as to whether the adoption of a particular management model was for technical or legitimacy reasons (Moll, Burns *et al.*, 2006; Hopper e Major, 2007; Modell, 2009). It is recognised that some accounting scholars have attempted to identify whether the motive for the adoption or imitation of a new management model is based on technical, rational consideration of efficiency, or driven by the desire for legitimacy and based on fad and fashion (Malmi, 1999; Hussain e Hoque, 2002; Tsamenyi, Cullen *et al.*, 2006). However, findings from these studies suggest that efficiency and legitimacy forces were intertwined (see Powell, 1991), and it is difficult, if not impossible, to identify which force was stronger. However, in the case of Electra, it is possible to state that the search for external legitimacy played an important role in the BSC implementation. This statement is supported by the following quote from the Manager of the Planning and Control Department:

> *“The Balanced Scorecard is a management tool that everybody knows. I think that it is a positive system for the company. For example, the utilisation of Balanced Scorecard is positive, because the quality auditors, when they come to evaluate our management system, they recognise the BSC as a modern management tool (...) The Balanced Scorecard is also important to the ABRADEE’s (the Brazilian electricity distribution companies association) award, because we score more point with the utilisation of the Balanced Scorecard.*

Besides, the use of the BSC is also recommended by ABRADEE and National Quality Foundation (FNQ)."

In the case of Electra, it is clear that there was pressure from the industry and especially from the public to legitimise Electra's privatisation. The privatisation was severe criticised by members of the Brazilian society, especially due to the considerable increase in the electricity tariff in Brazil. As a consequence, Electra had a great concern about its image as a modern, organised, and well-managed company. The Balanced Scorecard played a role in this process of improve the company's image, as Staw and Epstein (2000) point out that companies that are associated with popular management techniques (such as the Balanced Scorecard) are more admired, perceived to be more innovative and rated higher in management quality. Staw and Epstein (2000) also show that popular management techniques are appealing to top managers, as they provide the management profession with legitimacy and further their interests as chief executives in companies associated with these techniques in that they received better pay. In the context of Electra, the relationship between the Balanced Scorecard and the company's image can be observed in the following quote from the head of management department of Electra:

"It is a popular saying 'we do not need to be honest, we should show that we are honest'. So, nowadays, there are a range of instruments and systems that we should show that we are using to get recognition from the market and society. It is crucial to improve the company's image (...). So, it is important to demonstrate to our employees and the society that Electra has a modern business model and we have been gotten good results, because the company is going in the right direction with the adequate management systems and tools."

Then, instead of attempting to further identify whether the implementation of the Balanced Scorecard was the result of economic or institutional force, this study moves on to explain the process of encoding and enactment of the new principles based on the BSC, and explains why the Balanced Scorecard was not institutionalised in the organisation, and as a consequence it became decoupled from the company's day-to-day decisions.

5.1 BSC Implementation and the Reasons for Failure

The encoding process represents the translation of the Balanced Scorecard principles into a set of rules and routines (Burns e Scapens, 2000). Electra's Balanced Scorecard team developed the performance measurement cause-and-effect matrix and the strategic map of the company based on the four perspectives of the Balanced Scorecard: learning and growth, internal process, customer, and financial. The idealised Balanced Scorecard system did not practically change the performance measurement system implemented after the privatisation, which was based on 10 KPIs. The Balanced Scorecard concepts were mainly used to classify the performance measures into the BSC's four perspective. As a consequence, the BSC was not used as a system to translate strategy into action as Kaplan and Norton (1996) suggested. In addition, the discussion about the concepts and diffusion of the Balanced Scorecard was concentrated in the planning and control department and the other managers did not take part in this process. The former Head of the Planning and Control department comment:

"The conceptualisation of the Balanced Scorecard was concentrated in the planning and control department. There was no interaction with the top management team and the other departments of the company to discuss the BSC (...). So, the planning and control department was the main player in the BSC

conceptualisation maybe because the ideas and the strategy map were based on our parent company implementation."

The Balanced Scorecard principles were incorporated in Electra's procedural guidelines, that is, the BSC was translated in terms of rules and routines, but during the process of enactment (Burns e Scapens, 2000), the Balanced Scorecard practices became decoupled from the day-to-day activities of the company. Decoupling refers to the situation in which the formal organizational structure or practice is separate and distinct from actual organizational practice (Meyer e Rowan, 1977). Dillard et al. (2004) point out that when the decoupling process occurs, the practice is not integrated into the organization's managerial and operational processes. Therefore, in the case of Electra, using the above definition, the BSC practices were not integrated into the company's managerial and operational practices.

In the context of Electra, a number of reasons contributed to the failure of the Balanced Scorecard project. According to many interviewees, the main reason for the unsuccessful implementation of the BSC was the management style adopted in the company after the restructuring process. This management style focused on the short-term financial performance of the organisation, that is, the top managers' (specially the holding company's CEO) inclination was to look at financial matters, rather than the BSC four perspectives, as the basis of companies success. The financial perspective was the predominant one and the top managers emphasised the short-term financial targets, such as profit, cost reduction, and EBITDA. As a consequence, the other BSC perspectives became symbols that legitimise the persistence of the financial perspective. Therefore, the Electra's BSC became unbalanced, as the top managers focused on short-term financial performance measures. An incontrovertible piece of evidence of this problem was budgeting. The BSC project has not been capable to replace the budgetary control system, and it persisted as the most important organisational management system to support the planning, controlling and motivating processes in the organisation. The Electra case is similar to the case described by Wickramasinghe, et al. (2007) about the implementation of a Balanced Scorecard project in a Sri Lanka firm. This implementation was unsuccessful due to the decline of interest on the part of the owner-management and the top management team. The Commercial and Market Superintendent commented on the importance of the BSC in Electra:

"The Balanced Scorecard does not have any importance for Electra, because of the company's characteristics. To be honest, the CEO of the holding company centralises the making decision process and he does not use the Balanced Scorecard, he focus his analysing on the budget of the company (...). As the CEO does not use the BSC there is no incentives to the other managers to use it (...). The company is extremely focused on financial measures. Therefore, there is no reason to use the Balanced Scorecard in Electra."

Norreklit (2000) highlights that the Balanced Scorecard model is a hierarchical top-down model and that it is not easily rooted in a organisation. This was another problem of the Balanced Scorecard implementation in Electra. Norreklit (2000) suggests that in order to be effective the BSC has to be rooted in the management and organisation. This author states that when the scorecard fails, some of the essential barriers to it becoming a success are a lack of any firm rooting in the management and the players. The management needs to provide resources and the project needs to be rooted in the organisation if the scorecard is to be successfully implemented.

Therefore, it may be difficult to get the Balanced Scorecard rooted with the employees due to hierarchical and top-down characteristics of the Balanced Scorecard (Norreklit, 2000).

In the case of Electra, the lack of support of the Balanced Scorecard among the managers and employees is evident. The managers and employees did not understand the differences between the Balanced Scorecard and the company's performance measurement system based on the Management by Objectives (MBO) principles. The main reason for this lack of support was the fact that the BSC system was not linked to any kind of personal evaluation or incentive system. Although Electra had recently adopted a performance measurement philosophy similar to that of the BSC at the employee level, that is, Electra replaced the subjective performance appraisal system based on 'trust' with a new system focusing on objectives, personal attributes, and some quantitative KPIs, Electra did not use the BSC as a basis for organisational members to develop personal scorecards.

Another factor that contributed for the lack of support of the BSC utilisation was the Electra type of business, which can be characterised as natural monopoly. Therefore, the company operated in a regulated industry as a private monopoly. As a result, the scope to create new strategy is narrow and the organisation tends to use the same set of performance measures along the years. A number of managers did not perceive the usefulness of the BSC in the Electra operations. The Former Superintendent of Planning and Control commented:

> *"I cannot see another interpretation for the Balanced Scorecard in a regulated utility company. Those companies that operate as private monopoly utility companies which their revenue depends on the regulator, the consumers are not so important in the companies' strategy. The consumers want low tariffs and they will have a good product, but they do not establish the company's revenue (...) the regulator sets the company's tariff, and therefore I believe that the regulator is more important than the consumers to the financial success of the organisation. This confusion undermines the utilisation of the Balanced Scorecard in Electra."*

The above quote shows the view that the BSC is inappropriate for Electra. This quote represents the view of the main personnel responsible for the implementation of the BSC in Electra. So, if the main personnel responsible for the diffusion of the BSC in the company did not believe it is important for the company, what could be expected from the other managers and employees? The result was the decoupling of the BSC from the management and operational activities of the company.

Another problem during the BSC enactment process was the overlapping of competing techniques introduced during the BSC enactment process. After the restructuring process in Electra, the company introduced a massive effort in terms of internal control systems to comply with the Sarbanes-Oxley (SOX) act and to certificate the company in accordance with the ISO requirement. Electra also started to use the 6-sigma methodology to reduce costs in 2008. The Electra planning and control area was responsible for the implementation of all of those initiatives; and as expected, this area had to prioritise the project regarding the internal control system of the organisation, because it was a key objective of the board of directors that took over after the restructuring. As a consequence, the Balanced Scorecard project was relegated and the BSC momentum had passed.

6. DISCUSSION

This section aims to analyse the unsuccessful case of the Balanced Scorecard implementation in Electra through the lenses of the dialectical perspective. In order to do this analysis, this section compares the successful management accounting changes introduced in Electra just after the privatisation, namely: new budgetary system; new performance measurement system; and new reporting system with the Balanced Scorecard introduction failure.

This paper draws on the view from Seo and Creed (2002) that institutional contradictions contain the seeds of institutional changes, because contradictions generate conflicts inside the organisation, which create the conditions for institutional change to take place, as group or individuals recognise the need for change. In Electra's case, the level of institutional contradictions was strong after privatisation with the introduction of the new regulatory framework and the change of ownership from state-owned company to private organisation. This caused a revolutionary break on the previous institutions based on public and engineering ethos. As a consequence, management accounting changes were unavoidable due to the strong nonadaptability faced by the company. As predicted by Seo and Creed (2002), in the case of strong nonadaptability, efficiency gaps and inter-institutional incompatibilities, mediated by institutional crisis, changes in the organisation can happen in a revolutionary manner; and therefore, these changes will not be subjected to resistance and will eventually be institutionalised in the company.

The implementation of the Balanced Scorecard in Electra was not motivated by institutional contradiction as presented by Seo and Creed (2002). As discussed previously, the introduction of the Balanced Scorecard was motivated initially by technical and legitimacy reasons. Greenwood (1984) identified three antecedent requirements that had to be simultaneously met for change to be successful. First, he identified managerial succession at the top of the organisation. The main argument is that the new senior manager will either have an agenda that s/he naturally wishes to pursue, or will feel under pressure to introduce change because those who hired him/her expect change to be made. Second, Greenwood (1984) identified the perception of a serious crisis in company performance, whether real or fabricated, that has become widely shared among members of the company. Third, Greenwood (1984) identified a 'better' accounting system as a replacement for an inferior system current in use.

In the case of the BSC implementation in Electra, these three elements were present to some extent, as the new board of directors was appointed after Electra's restructuring process; the company was facing poor financial performance due to the Brazilian electricity crisis in 2001; and the supporters of the BSC in Electra claimed that the Balanced Scorecard was superior than the performance measurement system used in the company. However, the implementation of the Balanced Scorecard was unsuccessful, as it was not institutionalised in the organisation. The BSC case in Electra is similar to the case of the EVA (Economic Value Added) implementation in RetailCo presented by Burns et al. (2003). They author argue that the three Greenwood's (1984) antecedents to change were present in RetailCo, but it was an unsuccessful change. Burns et al. (2003, p. 26) conclude that "what is missing from Greenwood's framework is sufficient attention to the alignment between the assumptions embodied in the new change initiative and the existing institutionalised rules and routines". In the same vein, the institutional theory postulates that institutionalisation is an adaptive process, once in place, institutions are likely to be both psychologically and economic locked in (Scott, 1987; 2001; Burns e Nielsen, 2006). It seems the case of the Balanced Scorecard in Electra, as the performance measurement introduced after privatisation was strongly institutionalised in the organisation; the Balanced Scorecard was not able to supplant this system. As a consequence the BSC was not accepted and did not take root as values and beliefs in the organisation. According to Seo and Creed (2002), the embedded institutions can be modified or supplanted with the accumulation of institutional contradictions that will trigger human praxis to introduce changes, that is, contradictions lead to a reflective shift in consciousness which leads to actor mobilisation which leads to collective action to introduce changes. In the BSC case in Electra, institutional contradictions were practically absent; and as a consequence human praxis was not enabled to use the BSC on day-to-day basis. Therefore, the Electra's case provides empirical evidence regarding the main point made by

Seo and Creed (2002) that the accumulation of institutional contradictions is the seed to successful changes in an organisation.

Burns et al. (2003, p. 37) summarise the successful case of management accounting change in the Polymer case by stating that:

> *"(...) it is important for a successful implementation to have powerful support for the new system, communication throughout the company, and involvement at all levels. It is also important for change implementation to be backed up by extensive and intensive training, as well as adequate resources for the implementation process"*.

In Electra's case, the first set of management accounting changes had all the above elements. The management accounting changes had powerful support from the top management team and holding company. The new systems were communicated throughout the organisation and involved all departments of Electra, including the operational areas. The changes were also backed up by a comprehensive training programme with adequate amounts of material resources. In addition, the process of management change was initiated by an institutional crisis which was caused by strong nonadaptability, inefficiency gaps, and institutional incompatibilities (Seo e Creed, 2002). Therefore these institutional contradictions enabled human praxis to introduce changes and supplant the previous institutions by generating a reflective shift in consciousness, actor mobilisation, and collective action (Seo e Creed, 2002).

On the other hand, the Balanced Scorecard did not possess the above characteristics of a successful management accounting change. The BSC initially was supported by top management team, but after some months, the BSC was not a priority in the organisation anymore; and as a consequence the BSC lost powerful support. The BSC was poorly communicated throughout the organisation, as its implementation and design was concentrated on only one unit of the company, namely: the department of planning and control. In addition, there were sporadic episodes of training about the BSC and this project did not receive enough resources, especially in terms of computational systems. Finally, as discussed previously, the BSC initiative was not motivated by institutional contradiction (Seo e Creed, 2002), as its motivation was initially based on technical reasons and lately on legitimacy reasons. As a result, the institutional contradiction did not trigger human praxis (Seo e Creed, 2002) to use the BSC on day-to-day basis. Therefore, the Balanced Scorecard was not institutionalised in the organisation, as the BSC was not able to supplant the previous performance measurement system.

7. CONCLUSION

The Balanced Scorecard (BSC) implementation in Electra was a case of unsuccessful change, as it was decoupled from the company's day-to-day activities and therefore it was not institutionalised in the organisation. The BSC implementation was initially motivated by technical reasons and lately by legitimacy reasons. The BSC was implemented in 2005, when the management accounting systems introduced in the organisation after privatisation had already been institutionalised, that is, accepted and used on day-to-day basis. The dialectics approach postulates that in order for change to become institutionalised in the organisation, it needs to overcome the problem of embedded agency. According to Seo and Creed (2002), this process of change is possible due to the accumulation of institutional contradiction that enables human praxis to introduce change. In the case of Electra, the implementation of the BSC was not motivated by institutional contradictions, such as nonadaptability or efficiency gaps. It is advocated the BSC implementation was unsuccessful, because this change was not enabled by the accumulation of institutional contradictions, but the BSC was motivated by legitimacy reasons. Therefore, the BSC could not supplant the previous performance measurement system which was introduced after the privatisation.

Other factors contributed to the failure of the Balanced Scorecard in Electra. First, the management accounting style of Electra focused on the short-term financial performance of the organisation, and therefore, the Balanced Scorecard became unbalanced in terms of the integration between non-financial and financial performance measures. Second, lack of support of the Balanced Scorecard among the managers and employees, especially because the BSC was not linked to personal evaluation or incentive system. Third, the view that the BSC was inappropriate for Electra, because the company operates in a regulated industry as a private monopoly, and as a consequence, the company tend to have the same set of performance measures along the years. Finally, the BSC implementation was overlapping of competing techniques, such as the Sarbanes-Oxley (SOX), ISO, and 6-sigma implementations. All the above factors contributed to decline of interest on the part of the top management team, managers and employees regarding the BSC. However, based on our proposed framework, we advocate that main reason of the failure of the BSC initiative in Electra was the fact that it was not triggered by the accumulation of institutional contradiction. Therefore, human praxis was not fully mobilised to introduce the BSC into the organisation. We also predicted, based on our theoretical framework, that if the BSC was triggered by strong institutional contradictions, human praxis would have been enabled in a way that could have overcame the above barriers.

This paper contributes to the literature on organisational and accounting change that emphasis the crucial role that institutional contradiction plays in the process of change (Burns e Baldvinsdottir, 2005; Abrahamsson e Gerdin, 2006; Burns e Nielsen, 2006; Hopper e Major, 2007; Kotter, 2007; Farjoun, 2010; Pache e Santos, 2010; Sharma, Lawrence *et al.*, 2010; Smith e Lewis, 2011) by extending the Seo and Creed (2002) framework. We also contribute to the literature by providing rich empirical evidence about the process of failure of the BSC implementation, as most of the cases of change focus on successful initiatives (Scott, 2010). Whilst this paper advances our existing theoretical knowledge in terms of the process of change in management accounting as well as the nature of management accounting initiatives, theoretical and empirical insights from the paper are also relevant to managers and practitioners. The research takes managers away from their day-to-day implementation activities and enables them to see from a broader perspective how management accounting changes were operationalised within their organisation. In terms of future research, the newly developed theoretical framework can be used to explore processes of management accounting change in other organisations since the validity of the theoretical framework presented in this paper would be greatly enhanced if supported by other studies of organisational and management accounting change.

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