ROUTINES IN MANAGEMENT ACCOUNTING RESEARCH: FURTHER EXPLORATION

Abstract

Purpose

This paper seeks to enhance the eminent work of Burns and Scapens (2000) by introducing broader conceptualisations on organisational routines and rules in to management accounting.

Design/methodology/approach

The paper sets out with the Burns and Scapens (2000) framework. The paper is primarily conceptual in nature and with the addition of some more recent literature on organisational routines serves to bolster the underpinnings of the Burns and Scapens (2000) framework. Drawing especially on the work of Feldman and Pentland (2003), the nature of management accounting routines in particular is explored in some detail. By association, rules are also explored.

Findings

This paper proposes that an ostensive-performative distinction of routines augments our conceptualisation of how management accounting routines can represent both a source of stability *and* of change (simultaneously). Also, by showing how routines can represent both structure and action simultaneously, some light is shed on the ongoing interrelationship between routines and rules as highlighted in the Burns and Scapens (2000) framework and some concerns in recent literature addressed. In particular, a refined view of both routines and rules not only bolsters the work of Burns and Scapens (2000), but potentially increases its applicability as a theoretical lens to empirical studies in less formal organisations.

Practical implications

The proposed refinements to the Burns and Scapens (2000) framework, which aim to clarify the nature of rules and routines in a management accounting context, may be particularly useful for researchers studying less formalised (or, less rules-based) organisations. The findings emphasise the potentially more important role of the less formal concept of routines in most organisations.

Originality/value

The paper supports and complements the Burns and Scapens (2000) framework by integrating more recent conceptual developments on organisational routines and offering some potential definitional clarity on rules and routines in management accounting.

Keywords: management accounting change, routines, rules, institutional theory.

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1. Introduction

Just over a decade ago, Burns and Scapens (2000) (hereafter B&S) presented a conceptual framework for exploring the rules-grounded, routinised and potentially taken-for-granted (or "institutionalised") nature of management accounting practices. Since its publication, numerous scholars have drawn on this conceptual framework as a sensitising lens for investigating both relative stability and change in an organisation's management accounting practices (e.g., Dillard et al, 2004; Hassan, 2005; Lukka, 2007; Ribeiro and Scapens, 2006; Siti-Nabiha and Scapens, 2005; Soin et al., 2002; Spraakman, 2006). More recent contributions have however argued shortcomings in the B&S framework (Englund and Gerdin, 2008; Johansson and Siverbo, 2009), in particular with respect to a lack of clarity in the definition of such key terms as (management accounting) routines.

This paper seeks to address, at least in part, some possible issues of definitional clarity within B&S and thus bolster the underlying proposals of the framework. The concept of a routine is a key component of the B&S framework, and is the primary focus of this paper. However, routines are inextricably linked to rules in B&S, and are also developed later in this paper. Both should be defined at an early stage. B&S define rules as "the formally recognised way in which things should be done" (2000, p. 6), which have the potential to serve as a guide to people's action. Whereas, routines are defined as "the way things are actually done" (2000, p. 6). B&S argue that there is always potential for routines to be at variance with rules, since actors may not always necessarily follow the rules, and that over time routines may differ so significantly from rules that change can emerge in taken-for-granted assumptions (i.e. institutions) concerning "the way things are generally done". On the other hand, it is also possible that rules and routines may be reasonably similar in nature, thus there being minimal or small variance between what actors do and what rules formally state they should do.

The objective of B&S was not to offer definitions of rules and routines, rather describe the ongoing process whereby rules and routines interact and create relative stability, or change, in management accounting practices. As mentioned above, a perceived weakness in the B&S

framework, and for much of the similarly-positioned “institutional” management accounting research, is its ambiguity when defining management accounting routines. More specifically, when the definition of a management accounting routine is weighed more towards “behavioural patterns”, there is a possible conflation of structure and action (Englund & Gerdin, 2008), and things can become confusing and potentially contradictory. Thus, on one hand, B&S describe routines as: “programmatic rule-based *behaviours* [….] the way in which things are *actually done*” (2000, p. 6 – emphases added). Yet, on the other hand, they also state that: “routines are more *abstract* than rules and therefore *closer to the institutional realm*” (2000, p. 10 – emphasis added), and that: “[….] it is important to view rules and routines as interacting between the realm of action and the institutional realm” (op. cit) in which case, they hint that routines are not actions per se but reproduce or change in a sphere which is largely tacit and which influences and guides actual management accounting practice.

To be clear at the outset, this paper does not propose to offer an “alternative” to B&S; nor are the theoretical underpinnings of the framework questioned. Rather, to borrow from Hodgson (2006) when he speaks of rules, “these terms cannot be taken for granted, one is required to specify more clearly what is meant in each case”, this paper aims to contribute improved clarity as to what we might mean (in B&S terms) by management accounting *routines*. This clarity, it is hoped, will go some way to ease any concerns raised in some recent literature on possible limitations of B&S (see later). Drawing on the works of Feldman and Pentland (2003) and Pentland and Feldman (2008), routines are defined as comprising two dimensions, namely: (1) the ostensive routine; and, (2) the performative routine. Ostensive routines are largely tacit, and shape people’s perceptions of what a routine is; whereas, performative routines represent the “acting-out” of a routine. How the ostensive-performative distinction (of routines) extends our capacity to conceptualise how management accounting routines can represent both a source of stability *and* of change (simultaneously) is developed. The paper also (later) discusses how such extended clarity in defining management accounting routines will assist in our conceptualisation of the ongoing interrelationship between routines and rules (as highlighted in the B&S framework); and, for example, how this revised conceptualisation of routines might be particularly useful when studying less formalised (or, less rules-based) organisations

The structure of this paper is as follows. Section 2 briefly provides an overview of the B&S framework - a necessary inclusion to establish the groundwork for later sections. Next, Section 3 examines the respective concepts of “routines” and “rules” in more detail. This section draws particularly upon the institutional economics and organisational literature to highlight interpretations of such concepts in their broader organisational sense. Section 4 then describes proposed refinements to the B&S framework in more detail. In particular, the ostensive-performative routine interrelationship is incorporated within B&S and a more detailed conceptualisation of how rules and routines interact is put forward. Finally, the paper concludes and proposes several implications of this work.

2. The institutionalisation of management accounting practices

The conceptual framework presented in B&S is an attempt to theorise management accounting practice as processes over time. It views management accounting as a business practice that is infused with rules (or formal procedures) and routines, and which eventually might evolve into something that is reproduced in some tacit way – e.g., “we do budgeting because we have *always* done budgeting; it’s an unquestionable aspect of our day-to-day organisational life”.

It is not the intention here to reproduce at length what is proposed in B&S’ conceptual framework, but nevertheless some background is necessary for the purpose of discussion and some concepts presented later. Put simply, the work of B&S conveys management accounting as a rules-based organisational practice that, over time, can become routinised and potentially taken-for-granted (institutionalised) amongst individuals and groups within an organisation. These institutional and routine qualities will impact the management accounting that we observe in practice and, through adopting the notion of duality (Giddens, 1984; Roberts & Scapens, 1985) such practices (or the “realm of action”) can in turn extend influence on the institutional context (or “institutional realm”) in which management accounting operates.

B&S focuses in part on the interrelation and cumulative interactions between rules and routines and how, through processes of “encoding”, “enacting”, “reproduction” and “institutionalisation”, management accounting practices will convey and usually sustain recurrent and potentially embedded, tacit characteristics over time. Not surprisingly, and given its emphasis on routines and institutional structures, the B&S framework stresses the potential for stability or lack of change in management accounting practices over time. Nevertheless, it does offer conceptual insight on how, even in seemingly embedded and highly-structured contexts, management accounting practices can change, or *be* changed, at particular moments in time (see also Burns, 2000; Burns & Baldvinsdottir, 2005).

As mentioned previously, routines are a key component of B&S. And, with some potential definitional issues around routines, there is a risk of the main purpose of the B&S framework – understanding cumulative processes over time - being called into question. Scapens recounts how B&S may have been “less used” in studying how change actually comes about (2006, p. 25). He poses the question “[…] if existing rules and routines are underpinned by taken-for-granted ways of thinking, how do actors come to recognise that they need to change those ways of thinking?” (op. cit). Taking Scapens’ comments, there is thus, a potential for agency in the “changing” of rules and routines, raising a possibility of conflating structure and action (Englund & Gerdin, 2008).

The key attribute of B&S is that it describes the processes, over time, of how management accounting practices remain relatively stable and/or can change. B&S highlights, in particular, the importance of *existing* institutional phenomena (including rules, routines and institutions); whereby the present is shaped by the past. This notion is echoed by Hodgson when he says “all institutions depend on other institutions” (2006, p. 13). Following the logic of B&S, a study of management accounting change requires an understanding of, first, the historical (institutional) context of existing rules and routines and, second, the processes by which new rules and routines can become embedded and taken-for-granted. This paper endorses the *process* as proposed by B&S. That is to say, the interactions of rules and routines *is* important in offering potential interpretations of how management accounting practices can remain stable, or, how these same practices although taken-for-granted, can change. As mentioned previously, B&S did not set out to define rules and routines; rather describe how processes over time may cause management accounting practices to become taken-for-granted. Where this paper proposes to add to the contribution of B&S is on the nature of routines (and by association rules), and on the interactions between rules and routines over time. This is by and large achieved, through the introduction of some conceptual understandings of organisational routines as proposed by Feldman and Pentland (2003) to the B&S framework. With this in mind, the next section offers to shed some light on our understanding of rules and routines by drawing mainly on some organisational and institutional economics literature.

3. A closer look at rules and routines

Having summarised the contributions of B&S above, this section looks at the two key interacting components of B&S, namely rules and routines. The genesis of this more in-depth examination of rules and routines stems from a case study of management accounting change. Given the conceptual nature of this paper, the case is not detailed. However, the case study set out initially using B&S as a lens to interpret change and/or stability in management accounting practices within a particular industry. The B&S framework was chosen primarily due to its grounding in Old Institutional Economics (OIE). This branch of institutional theory focuses particularly on the individual tastes and preferences of actors (Hodgson, 1998) and is thus more suited to studies of phenomena like rules and routines within individual organisations [I] (Moll et al, 2006; Ribeiro and Scapens, 2006; Rutherford, 1994; Scapens, 1994). As noted by Humphrey and Scapens (1996), a research study should set out with some theoretical basis, but this theory may be modified as the research progresses. Quite early on durin visits to case sites, it emerged that little in the way of management accounting rules (i.e. "formalised statement of procedures" B&S, p. 7) were present. The term "formalised" was interpreted as implying rules being a written legalistic type statement of "the way things should be done". Based on this premise, this presented a potential conceptual issue – if rules did not exist, how can B&S be used to interpret stability and/or change in management accounting practices. With few or no written procedures, documents or manuals of management accounting practice in evidence the question of how to utilise B&S arose. In particular, can routines be viewed as having a structural dimension which may "replace" rules. The remainder of this section sets out how some further conceptualisation on rules and routine which may be useful to overcome the issue raised here.

3.1 Ostensive and performative routines

Earlier sections have outlined how some questions on the nature of routines in a management accounting (and B&S) context were raised; namely can routines as a concept represent both structure and action. This section briefly explores some extant literature on routines, with a particular focus on the dual nature of routines.

A number of scholars in recent years have recognised the "duality" of routines, or put another way, that routines may not represent more than *just* behaviour. Winter distinguished between a "routine in operation at a particular site" and a "routine *per se*- the abstract activity pattern" (1995, pp. 169-170). Similarly, Feldman and Pentland state that "organisational routines consist of two aspects" or dimensions, namely: (1) the ostensive dimension; and, (2) the performative dimension (2003, p. 101). According to Feldman and Pentland, the ostensive dimension of a routine "may have a significant tacit component" which moulds the perception of what the routine is, "may be codified as a standard procedure" and "may exist as a taken-for-granted norm" (2003, p. 101). Pentland and Feldman describe the ostensive aspect as "abstract, cognitive regularities and expectations that enable participants to guide, account for and refer to specific performances of a routine" (2008, p. 286). The latter part of this quote suggests that an actor's perception of the ostensive aspect is subjective, which is supported by Feldman and Pentland where they note "the ostensive incorporates the subjective understandings of diverse participants" (2003, p. 101). The performative dimension of a routine is "the specific action(s) taken by people […] when engaged in an organisational routine" (Feldman and Pentland, 2003, p. 102) "at specific times, in specific places" (Pentland and Feldman, 2008, p. 286). Thus, Feldman and Pentland (2003) (see also, subsequent papers by Pentland and Feldman 2008, 2005) also distinguish between the abstract concepts of a routine *per se* and associated behaviour. Hodgson (2008, 2006) also argues routines have a duality. Hodgson states that institutions are more than behaviours or actions, citing the example of a monarchy, whose prerogatives and powers remain while a monarch sleeps

(2006, p. 3). Hodgson (2008), based on his 2006 work, offers a refined definition of routines. He states “routines are not behaviour; they are stored capacities or capabilities” (2008, p. 19). This suggests that routines are separate from action. Hodgson does, however, state that “routines depend upon a structured group of individuals, each with habits of a particular kind” (2008, p. 22). This, in a similar way to Feldman and Pentland (2003), highlights a duality of routines. Becker (2008, 2005) also argues routines have a dual dimension. He argues “at a ‘deep’ level, there are underlying mechanisms and tendencies” and “on the level of […] the ‘actual’, there are regular patterns of behaviour” (Becker, 2005, p. 251). Becker (2005) also notes that the underlying generative layer of a routine is difficult to observe, and the surface (action) layer may not always be observable as it may not always be performed (see also Pentland et al, 2010). In the management accounting literature, little has been said on the nature of routines since the publication of B&S, although as noted earlier several scholars have adopted their framework. Van der Steen (2009), while focusing in particular on inertia in management accounting practices, proposes that scripts (see Barley & Tolbert, 1997) guide many routine interactions (i.e. routines).Van der Steen also notes “scripts can be interpreted as individual cognitive and behavioural elements of routines (2009, p. 739), which suggest that routines have more than one component[II].

The above mentioned literature suggests there is both a *structure* and *action* dimension to routines. Many scholars acknowledge the definitional and conceptual ambiguity around organisational routines (e.g. Becker, 2005; Hodgson, 2008; Pentland et al, 2010). B&S, while depicting both structure (institution) and actions do not make a distinction between a structural and an action component of routine, as proposed by the aforementioned literature. In the accounting literature, Englund and Gerdin (2008) argue that;

> “[…] we need notions both to describe the situated and recurrent management accounting practices as such, and to denote the non-situated modalities that inform those management accounting practices” (p. 1130).

Englund and Gerdin (2008) refer to “conceptual disparity” (p. 1131) in management accounting research, where some scholars view management accounting as modalities (i.e. structures) which are drawn on to reproduce practices, whereas others view management accounting as recurrent practices (i.e. actions). They further argue that to combine both conceptualisations in the same study may be problematic, suggesting that there is a risk of "social structure and action becoming conflated" (p. 1131).

Given the mentioned issues highlighted in the literature, the nature of the data unveiled in the case study (i.e. apparently fewer rules and more routines), it is proposed here that to adopt the notion of duality of routines may provide some clarity. Given the apparent lesser importance of rules in management accounting at the case study site, proposing routines as having a "structural" component which guides action might be more suited to management accounting contexts. In adopting this approach, "conceptual disparity" on the nature of routines (Englund and Gerdin, 2008; Johansson and Siverbo, 2009) is avoided by making a clear distinction between the *tacit* dimension of a routine and the *action* dimension. In particular, the ostensive and performative dimensions as per Feldman and Pentland (2003) may be quite useful [III]. A clear distinction between the ostensive and performative dimension of routines may allow a researcher to interpret change and/or stability in management accounting practices in the apparent "absence" of rules, whereby the ostensive dimension of the routine has a guiding function. In turn, this dual-dimension interpretation of routines may provide improved explanations on the process of institutionalisation of management accounting practices according to B&S (more detail is given in Section 4).

B&S, as outlined in Section 2 above, also incorporates management accounting rules. The comments thus far do not imply rules are unimportant, and as stated previously, this paper agrees with the underlying processes of the B&S framework. Thus, having proposed a dual dimension of management accounting routines as potentially useful, the nature of (management accounting) rules is addressed in the next section.

3.2 The nature of rules

As noted earlier, B&S described rules in management accounting as formal in nature:

> "rules can be defined as the formally recognised way in which 'things should be done'" (2000, p. 6).
>
> "rules are the formalised statement of procedures" (2000, p. 7).

Earlier it was stated that management accounting rules were in fact documented; an assumption based on the researchers initial understanding of B&S. However, in neither case cited above do B&S specifically state that a rule *must* be documented. They also clearly state that "it may be decided to formalise the established routines in a set of rules e.g. in a manual of procedures" (p. 7). Again, this assertion does not imply that rules are *always* documented. It does however recognise the relationship between rules and routines in that rules *may* be a documented representation of accepted management accounting routines. And as noted previously, (ostensive) routines "may be codified as a standard procedure" (Feldman and Pentland, 2003, p. 101). There is, thus, potential definitional ambiguity between what comprises a "rule" and an ostensive routine in that it could be asserted that a documented "formalised" rule and the (documented) ostensive dimension of a routine are one and same. While this may be the case at a particular point in time, it is unlikely to hold as differing actors may have differing interpretations of the ostensive routine over time, which may vary from any documented version (Feldman and Pentland, 2003). It is thus not conceptually sound to equate a formalised, documented rule to the ostensive dimension of a routine. Nor can a rule be equated to the performative dimension of a routine as no rule could sufficiently cover each and every action or pattern of behaviour (Feldman and Pentland, 2003, p. 101; Pentland et al, 2010). As noted earlier, if rules are assumed as documented it could be asserted that a crucial part of the interactions of rules and routines as defined by B&S is called into question, in the case that few (or no) rules exist in the management accounting context of an organisation. It is not clear from B&S whether management accounting rules must *always* exist. For example, they state:

> In various types of organisational activity, routines may emerge which either have deviated from the original rules, or were never explicitly set out in the form of rules. In such cases, it may be decided to formalise the established routines in a set of rules, e.g. in a manual of procedures. (2000, p. 7).
>
> In the context of management accounting, rules comprise the formal management accounting systems, as they are set out in the procedure manuals; whereas routines are the accounting practices actually in use (2000, p. 7).
>
> However, on the other hand, individual actions are in principle observable, and rules being the formal statements of procedures are more likely to be observable than the routines, which have to be interpreted from the complex web of actions observed in any particular context (2000, p. 10)

The first extract from B&S above seems to suggest rules need not always exist, whereas the second extract seems to indicate rules must exist *and* be documented. The third extract seems to suggest rules are acted out and, thus, exist in a tacit way. Such ambiguity on management accounting rules, in conjunction with the questions on routines raised earlier paints an increasingly complex picture. However, following the lead of Hodgson (2006) and Pentland et al (2010), definitional clarity may address this complexity and bolster B&S. Thus, it is proposed here to first clarify the concept of rules in management accounting (within the bounds of B&S) and then, how rules and routines (and their dimensions) interact will be further clarified in Section 4. The remainder of this section explores the extant literature for some clarity on the meaning of "rules".

In general, rules can be broadly described as either formal or informal (Hodgson, 2006; Kingston and Caballero, 2009; North, 1990). The extant management accounting literature has not, as yet, provided much detailed discussion on the nature of rules in the context of management accounting. The most prominent rules-related works in the management accounting literature, for example B&S, Burns (2000) and Scapens (1994) while mentioning and adopting the notion of rules, do not provide much detail on their nature. However, the institutional economics literature, which is drawn upon by both Scapens (1994) and B&S, provides some useful representations of the term "rules". Searle describes rules as regulative (such as traffic rules) or constitutive (such as the rules of chess), the latter being termed a rule "when the procedure or practice […] becomes regularized" (2005, p. 9). North (1990) defines institutions as including both formal rules such as laws and constitutions, and informal constraints such as conventions and norms (see also Kingston and Caballero 2009). Pelikan (2003) describes two kinds of rules; rules-routines and rule-constraints. Rules-routines guide step-by-step behaviour, possibly as a function of past and present conditions, whereas rules-constraints "set limits to possibly large varieties of permissible behaviours and actions, but usually not as severe as to permit only one specific behaviour" (2003, p. 244). Rule-constraints are presented as formal (e.g. laws), whereas rule-routines are informal (2003, pp. 245-249). Hodgson describes rules as "socially transmitted and customary normative injunctions or immanently normative dispositions, that in circumstances *X*, do *Y*" (2006, p. 18), but avoids any further refinement into formal or informal properties. Hodgson further suggests conventions (c.f. North, 1990) are particular instances of rules (2006, p. 18). The literature mentioned presents the possibility that rules may be written (e.g. in the case of laws) or unwritten. Thus, and this is the stance adopted in this paper, a clear definition of the meaning of rules as adopted by any management accounting researcher would be useful. Hodgson (2006, p. 18) states:

> Many writers attempt distinctions between "formal" or "informal" institutions or rules. However, these terms have been used misleadingly and in different ways. Does the term *formal* mean legal, written, explicit, codifiable, or something else? The ambiguities surrounding these terms mean that they cannot be taken for granted. One is required to specify more clearly what is meant in each case or use more transparent terms such as *legal, non-legal,* and *explicit* instead (emphasis in original).

The logic of Hodgson (2006) is applied here in that a clear definition of rules will aid the interpretation of rules in management accounting research. Here, rules are a defined as a physical representation of a routine, which are formalised in a documented fashion and *may* serve to guide action [IV]; or in other words they are artefacts of routines (Pentland and Feldman, 2008, 2005). This definition presents rules as being more formal in nature than B&S originally set out, in the fact that they *are* documented in some fashion. By conceiving management accounting rules as artefacts the definition encompasses, for example, formalised written procedures which set out methods, tasks and techniques which management accountants in an organisation are "required" to follow and/or apply i.e. standard operating procedures. Rules could also be encompassed, for example, within computerised information systems (as sequence of programme logic), work- or process-flow charts, slogans or an organisational chart. As depicted by these examples, describing rules as artefacts reflects them as codifying the ostensive dimension of a routine (Pentland and Feldman, 2005, p. 797). It should be noted that the phrase "*may* serve to guide action" is intentional in the definition of rules proposed here. This is recognisant of the fact that an artefact may exist, but does not necessarily have to be referred to by an actor. This can be construed as saying that rules are not at all important when a routine is being performed as actors can always choose to deviate from a rule, or, indeed from the ostensive dimension of a routine. However, rules *may* be relatively more important in certain circumstances and are thus an essential component of potentially institutionalised practices like management accounting (see Figure 1, Section 4) and the B&S framework. For example, management accounting tasks in the public sector are more likely to be formalised as documented rules which stem from laws or governmental policy (see, for example, Brignall and Modell, 2000; Modell et al, 2007; Modell, 2003). While it proposed here to encompass rules as artefacts, this does not mean that such artefacts need always be present. Feldman and Pentland state that organisational routines "may also be documented with a set of formal procedures or rules, but that is not an essential part of the core definition [of routines]" (2003, p. 96). Thus, where rules (as artefacts) do not exist, routines, or more specifically the ostensive dimension serves as the abstract understanding of a routine and is drawn upon by actors to guide, account for and refer to specific performances of the routine (Pentland and Feldman, 2008, 2005).

Having now set out a broader view of the nature of both routines and rules in management accounting, a proposed refined and extended framework on the interactions of rules and routines, and how these interactions may cause change and/or relative stability, is outlined in the next section.

4. The institutionalisation of management accounting practices – a refined view

This section brings together the proposed refinements on the nature of rules and routines in management accounting from the previous sections. A refined and extended view of the process of institutionalisation of management accounting practices as originally set out by B&S is also described. This refined view of B&S supports their fundamental underlying assumptions, in particular, how interactions of rules and routines over time can explain both relative stability and change in management accounting practices. Figure 1 portrays the proposed refinements.

[insert Figure 1 here]

Figure 1 – the institutionalisation of management accounting practices – an extension of Burns and Scapens (2000)

As described previously, it is assumed in Figure 1 that rules are documented, and that rules may or may not exist. Rules are thus portrayed as artefacts of routines which may, if present interact with ostensive routines. If management accounting rules exist in a particular setting, then it is possible that the ostensive dimension of a routine is formalised as a documented rule, with both portraying similar attributes i.e. as documented and in the minds and understanding of actors. However, it is also possible that the ostensive dimension is at variance with rules or, as mentioned, that rules are not present. Thus, the interaction between rules and the ostensive dimension of a routine is tentative – hence the dotted lines. Put another way, rules may be a visible representation (i.e. an artefact) of the ostensive dimension of routines, as the latter is not directly visible (Becker, 2004; Pentland & Feldman, 2008, p. 288) and where rules do not exist, the ostensive dimension shapes perceptions of what routines mean or how they relate to action in particular circumstances (Feldman and Pentland, 2003, p. 101). For example, management accountants may understand the month-end routine(s) in their respective organisation, without necessarily having any (documented) rules. They are guided thus by the ostensive dimension of routines to interpret what needs to be done at month-end [V]. Or as another example, in the case of smaller businesses, management accounting is likely to be informal and unwritten. In such cases management accounting rules will typically be non-existent, with ostensive routines providing guidance and reference for management accounting practices.

Lines B and C [VI] represent the performative dimension of a routine, which refines to some extent the interactions of rules, routines and action as originally proposed by B&S. The performative dimension represents “the specific actions of specific people at specific times when they are engaged in an organisational routine” (Feldman and Pentland, 2003, pp. 101-102). Pentland and Feldman add to this, re-phrasing the latter part of the definition to read “they are engaged in what they think of as an organisational routine” (2005, p. 796). The performative dimension is thus carried out against a background of rules (if present) and/or an understanding of what is expected (i.e. the ostensive dimension), as depicted by line B. While referring to the ostensive dimension of routines, to rules, or both, following the logic of Feldman and Pentland (2003), each particular acting-out of a routine has the potential to be relatively stable or result in potentially novel action. They do not speculate on reasons for variation in the performance of a routine – external factors such as legislation or the economic conditions are possible reasons but at this point, the possibility of novelty is depicted by a wavy line C [VII]. The degree of divergence in the performative routine may vary, from minor to reinvention (Pentland and Feldman, 2005); implying change may range on a spectrum from relative stability to a new way of doing things. Thus, as Feldman and Pentland argue, the performative dimension of routines maintain and modify the ostensive dimension (2003, p. 107). This is an important point. Without repeated performance of a routine (i.e. action), the ostensive dimension may diminish over time, or even disappear (Feldman and Pentland, 2003). Even if routines remain in existence in artefact form (as a rule) after any performance of routines dissipates (Pentland and Feldman 2008, 2005), then while the ostensive dimension by definition still exists it may have little or no meaning (Feldman and Pentland, 2003). Thus, to maintain a routine with meaning in a particular context, the performative dimension requires regular enactment (Feldman and Pentland, 2003, p. 108) [VIII]. On the other hand, ongoing performances of routines may modify them. The performative dimension may vary in response to reflection by actors or external changes (c.f. B&S). Such changes may, over time, modify the ostensive routine – as depicted by multiple sets of lines B and C. Such changes are likely to be minor, but may also be more substantial in nature causing a shift to a new and accepted way of doing things, as depicted by arrow D. This is similar to B&S, in that any changes will to an extent be grounded in the historical rules and routines which have evolved over time. It also, as does B&S, encapsulates the possibility of endogenous change i.e. change that arises through the continued engagement of the routine itself (Feldman & Pentland, 2003, p. 112). Finally, if the ostensive routine is changed through on-going variations in the performative dimension, then any associated rules/artefacts may be amended to reflect the changed understanding of the ostensive dimension.

Referring back to Figure 1, it is possible that multiple versions of rules exist which encapsulate different perceptions of what needs to be done i.e. the ostensive routine aspect can be represented by several sets of artefacts. For example, rules might be affected by local contextual factors which imply the written rules for a particular task need to be carefully worded to comply with, for example, local laws or customs. In relating this to management accounting, a monthly performance report might require data on customer profitability and this might be documented as a rule in a procedures manual at head office. If non-standard accounting systems were used throughout the firm, the procedures to extract and compile such data might be different in each branch or office and this could be reflected in localised written procedures. Yet all participants understand what is required and most likely could understand each other's routines. And, as described previously in Section 3, each occurrence of the performative routine always has the potential for variation at an instance of time and space. There is, thus, an increasingly complex picture of ostensive routines, which may or may not be represented by artefacts, and in turn these routines may or may not be performed in the same way.

B&S emphasised the interactions between rules and routines, as does Figure 1 albeit in a refined way. They do not elaborate in detail on if one or other of rules and routines pre-empt the other. They do describe a two-way relationship between rules and routines; they describe how new rules may be introduced which in turn become accepted routines; and, similarly existing routines can be formalised as rules (pp. 6-7). They also propose that:

> "rules are normally changed only at discrete intervals; but routines have the potential to be in a cumulative process of change as they continue to be reproduced" (2000, p. 7).

Based on the proposals thus far, if rules are artefacts of routines, then by definition routines should exist before rules. Or, more accurately, the ostensive dimension of a routine would tend to exist prior to a rule. This is not to say that routines must *always* exist prior to rules. Actions do not necessarily have to be repeated to be written as a formalised rule or artefact e.g. legislation. However, in management accounting it is more likely that routines will exist before being formalised as rules. Therefore, the ostensive routine is placed "closer" to the institutional realm in Figure 1 as it will typically be grounded in historic institutional context and will have a tendency to precede rules. This is a variation on the process of the interactions of rules and routines as proposed by B&S in that the interaction proposed here is more likely to be (but not always) one-way. That is, routines, or more precisely the ostensive dimension will typically determine rules; rules in turn, do not typically effect the ongoing enactment of routines. Rather, as noted earlier change may be brought about, or stability maintained, through the interaction of the performative and ostensive dimensions. And, in turn, new rules may or may not appear in a formalised and documented manner. It should be acknowledged that the process presently described may not occur in all organisational contexts (e.g. public sector organisations) [IX], but conceptualising the ostensive dimension of a routine as closer to the institutional realm than rules may be suited to most management accounting contexts. Management accounting as a profession is typically unregulated in respect of formal legislation, accounting standards or in some contexts, even the existence of a professional body. It is thus more likely to have routinised practices in management accounting which are based on a common understanding of how things should be done. Over time, practices and their associated common understanding may become rules which are grounded in the existing routines, and in turn, these rules (as artefacts) are something that management accountants may chose to adopt to enable and/or constrain their actions i.e. the performative dimension of the routine. In larger organisations, it is more likely that rules do exist, and are used for example to train new staff in reporting procedures or as reference point for techniques or practices not used as frequently e.g. year-end procedures.

The process described in Figure 1 above supports the fundamental ideas proposed by B&S in that it clearly recognises that management accounting practices can change over time through the interactions of rules and routines. It also recognises that these same practices may remain relatively stable, or put another way, be relatively institutionalised in nature, again through the interactions of rules and routines. Two key refinements to B&S have been outlined, namely, (1) defining rules as artefacts of routines, and (2) considering routines as having dual dimensions. These refinements offer a number of potentially useful contributions to the continued study of change/stability of management accounting practices.

First, it is argued that the definition of rules as utilised in the above framework potentially bolsters the ontological basis of the study of management accounting rules. The proposed definition of rules is repeated here for convenience:

> Rules are a physical representation of a routine, which are formalised in a documented fashion and serve to guide action.

The contribution of this definition to existing theoretical constructs (primarily to B&S) is ontological clarity. This is not to say that this definition of rules is universal, but it does attempt to avoid definitional ambiguity (Hodgson, 2006) at least in the realm of management accounting. The key tenets of this definition are: that a rule is something physical and documented; *and* its guiding or referral attributes. The latter is similar to the propositions of

Feldman and Pentland (2003) in relation to guiding function of the ostensive dimension of a routine, but as mentioned previously rules are not *always* present. When rules do exist, then, according to the definition, they can have a guiding function. For example, a spreadsheet which defines how to calculate a product cost can be termed a rule since actors can refer to it for guidance. A systems generated report displaying the product costs for a particular customer or order is not a rule, rather the visible surface-layer pattern of action of the underlying routines (Becker, 2004; Pentland et al., 2010). Also, this definition of rules is more aligned to the notion of "formal" rules as mentioned earlier (Kingston and Caballero, 2009; Searle, 2005), in that formalisation in a documented fashion is required. This, it is intended, provides a clearer distinction between "informal" rules which might be conceived as routines and "actual" routines. Quotes from Kingston and Caballero (2009) and Searle (2005) provide useful illustrations of distinctions between formal and informal rules, as follows [X]:

> Most authors distinguish between 'formal' and 'informal' rules or constraints, but this distinction is drawn in a variety of ways. The term 'formal' is often taken to mean that the rules are made explicit or written down, particularly if they are enforced by the state, whereas informal rules are implicit; another interpretation is that formal rules are enforced by actors with specialized roles […] whereas informal codes of behaviour are enforced endogenously by the members of the relevant group (Kingston and Caballero, 2009, p. 154)

> When the procedure or practice of counting *X* as *Y* becomes regularised it becomes a rule. And rules of the form *X counts as Y in C[ontext]* are then constitutive of institutional structures. Such rules differ from regulative rules, which are typically of the form 'Do *X*', because regulative rules regulate activities which can exist independently of the rule. Constitutive rules not only regulate but rather constitute the very behaviour they regulate, because acting in accordance with a sufficient number of the rules is constitutive of the behaviour in question. (Searle, 2005, p. 9)

Pentland and Feldman propose the ostensive dimension of a routine "may be thought of as a narrative, or a script" stating that "participants use it to guide, account for and refer to specific performances" (2005, p. 797). Taking the ideas of Kingston and Caballero (2009) first, the ostensive dimension of a routine might easily be equated to an informal code of behaviour, implying it is an informal rule. The words of Searle (2005) raise two points. The first sentence suggests that a practice (or routine) may exist before a rule, and was proposed previously in Figure 1. Searle (2005) also mentions constitutive rules (which may be informal). These rules, by constituting behaviour, might be construed as an element of the performative dimension of a routine. These illustrations portray the varying and multiple interpretations in the literature on rules. The main point here is not to offer further interpretations, but rather to avoid definitional ambiguities by providing a solid definition of rules based on extant literature, which may be more suited to a management accounting context.

Second, understanding the concept of routines in management accounting as consisting of ostensive and performative dimensions also potentially quells concerns raised by some authors who highlight risks of conflating concepts such as routines as representing both structure and action. Portraying routines with ostensive and performative dimensions does not compromise previously proposed definitions of routines (such as that offered by B&S), but rather offers some clarity on the ontology of routines (Feldman and Pentland, 2003; Pentland et al, 2010). Conceptualising routines as comprising two dimensions also offers a potential way forward to the issue raised by Johansson and Siverbo (2009) – they state routines cannot be observed - in that the performative dimension can be observed as patterns of action (Becker, 2004; Pentland et al, 2010). And, as Johansson and Siverbo (2009) also pointed out, artefacts of routines can also be observed i.e. rules. Third, the refined framework also offers (as does B&S) a processual view of the creation, maintenance and changing of rules and routines (see also van der Steen, 2011). This contributes to the works of Feldman and Pentland (Feldman and Pentland, 2003; Pentland and Feldman, 2008; Pentland and Feldman, 2005) in that it visualises the sequence of events (i.e. the process) by which routines and rules (if present) emerge and evolve over time and become the accepted and taken-for-granted way things are done i.e. institutionalised.

In summary, the framework portrayed in Figure 1 reflects the complex interactions between rules and routines in a typical management accounting context, and how these interactions can both maintain *and* modify the social world occupied by management accountants. It both embraces and refines the conceptual framework put forward by B&S. It proposes that management accounting rules might be more usefully conceptualised as artefacts which represent the ostensive dimension of routines and that routines, in general, pre-empt these same rules. In turn, management accountants then draw on artefacts (rules) and the ostensive routine to inform and guide their actions i.e. performative routines. This additional clarity and refinement underpins the main concepts of B&S, and potentially extends its application to a wider sphere of management accounting - for example, in smaller organisations where formal written rules or procedures are less likely to exist. Also, the consideration of ostensive and performative dimensions of routines enhances one of the fundamental assertions of B&S, that is, that change and stability can go hand-in-hand. Consideration of these respective dimensions of routines also enhances the understanding of the iterative, step-by-step evolutionary and "processual" approach so often cited as a feature of management accounting (and organisational) change.

5. Conclusion

This paper started out from a problem which presented itself at an empirical case study i.e. that rules as described by B&S were scarce or non-existent. This was, to some extent due to the present researchers' starting assumption that management accounting rules are documented in some way. Thus, the main purpose of the research was to make sense of the nature of rules and routines in a management accounting context. Theoretically, this paper draws on the B&S framework initially, but also potentially contributes to their eminent work. Briefly again the potential contributions mentioned in the previous section are: 1) some clarity on the nature of management accounting rules; 2) an assertion that routines are likely to be in existence prior to rules, at least in many management accounting contexts; 3) by proposing management accounting routines as comprising ostensive and performative dimensions it is possible to interpret how change and continuity within routinised practices can occur simultaneously; 4) conceptualising routines with ostensive and performative dimensions contributes to recent discussions on the ontological nature of routines in the management accounting literature, in particular whether routines are representative of "structure" or "action" (Burns, 2009; Englund and Gerdin, 2008; Hodgson, 2008; Johansson and Siverbo, 2009); and, 5) the dual routine dimensions may also potentially overcome the issue of "observing" routines as noted by Johansson and Siverbo (2009), in that it is possible to observe the performative dimension of a routine. It is hoped these potential contributions, while maintaining the underlying foundations of B&S, will assist future researchers who adopt the

B&S framework or use rules/routines as a basis for studying change or stability of management accounting practices.

One point raised in the discussions presented around Figure 1 requires some further discussion, namely rules being artefacts of routines. Or, put another way, Figure 1 proposes routines are more likely to exist prior to rules in the context of management accounting. This can (and I hope will) be challenged by future researchers as a possible limitation of the framework proposed in Figure 1. The basis for this assertion was the problem presented at the empirical case referred to earlier, which as a single case observation on its own is not adequate to make a sufficiently strong argument. My own experience of working as a management accountant in several organisations is that management accounting *is* less formal – but again my experience is not sufficient to make a strong argument. This is not to say that management accounting rules, as defined in Figure 1 do not exist, but it may be the case that management accounting rules are *less* important in certain types of organisation. The question is: which type of organisation? Bhimani and Bromwich (2010) refer to the fluid and flexible nature of modern-day organisations. This fluidity has been brought about by "the forces of globalisation, digitisation, technological advance and novel information exchange possibilities" (Bromwich and Bhimani, 2010, p. 53). One could argue that such "fluid" organisations are likely to be less formalised and rule-based, to enable them to react to changes in the business environment. One could also argue that small and medium-sized enterprises (SME) are more representative of a fluid, flexible organisation than larger more formalised organisations. With this in mind, it is plausible that the interaction of rules and routines as depicted in Figure 1 is more likely to be representative of an SME context, as has been hinted at previously. The SME sector represents the majority of organisations in most economies, at least numerically. For example, 81% of Irish businesses are classified as small (CSO, 2008); 99.7% of UK enterprises are classified as SME (ONS, 2010); 99.6% of German business are classified as *Mittelstand*, which is equivalent to an SME in the English language (IFM, 2010); and, no EU member state has less than 98% SME (EU, 2009). While statistics typically suffer from problems like omitted data, classification problems and time delays, these statistics highlight the prevalence of SME. Small businesses in particular are likely to be less formalised (i.e. have few written rules). This informality may include management accounting practices. As mentioned, a potential answer to a puzzle stemming from a single case is not sufficient to make a strong argument that rules are *always* artefacts of routines (as suggested in Figure 1). However, it is tentatively concluded here that management accounting rules as defined earlier are less common in the vast majority of organisations. Future research is required to verify this conclusion, and whether the interactions of rules and routines as depicted in Figure 1 is reflective of the practice.

There are some other limitations worthy of mention. First, based on the work of Feldman and Pentland (2003), the performative dimension of a routine has been compared here to action per se. It has been noted by some scholars, for example Becker (2008), Burns (2009) and Hodgson (2008, 2006), that routines do not constitute action per se. Thus, it is acknowledged that a shortfall of the refined framework may be that the conceptualisation of the performative dimension of a routine could be challenged and “renamed” action or behaviour. However, performing a routine preserves and maintains it. Thus, action is an essential element of the ontological perception of a routine (Becker, 2005; Feldman and Pentland, 2003; Pentland 2011; Pentland and Feldman, 2008, 2005; Pentland et al, 2010). Second, the framework shown in Figure 1 does not elaborate on how the performative dimension of a routine might be best observed, distinguished and interpreted. Recent work by Pentland et al (2010) describes how what might be perceived as “highly” institutionalised accounting routines (like invoice processing) can reveal differing patterns of action. They conclude that even stable routines, if analysed at a micro-level as patterns of action, can generate many different patterns. Therefore, the refined framework (Figure 1) may not be sufficiently “deep” to fully comprehend the nature of routines, and in particular, the inter-linking of routines and action. Third, the framework is, like B&S, largely conceptual in nature. Thus, future research may need to be complemented with additional theoretical approaches/frameworks and/or concepts to support the teasing out of the nature of routines (and as a consequence, rules). Fourth, as is common with all theoretical or conceptual proposals, the validity of the underlying assumptions is paramount. The refined framework proposed here is based on key assumptions on the nature of routines and rules in management accounting, which have been set out in this paper, drawn primarily from the works of B&S and Feldman and Pentland

(2003). These assumptions, although clarified and well-grounded in prior literature, are naturally subject to challenge from future research.

Despite the above mentioned limitations the framework presented in Figure 1 offers a potentially improved and extended understanding of the process whereby management accounting practices may become institutionalised. With the limitations in mind, it provides a potentially more comprehensive way to interpret the complex inter-relationships of existing institutions, routines, rules and actions within management accounting. For future research, the need for more research in an SME context has already been mentioned, and in particular more research at the "small" end of the SME spectrum might prove fruitful. Other areas are also worthy of mention. One further particularly interesting area might be the public sector, where it is more likely that management accounting practices are dictated by central government requirements, and may be formalised as written procedure manuals. In this context, it may be that management accounting rules are "forced" by central government on local government for example. In a similar vein, in may be that management accounting rules are "forcefully" introduced to an organisation by means of standardised process in accounting software (see Oliveira, 2010). These two areas may shed more light on cases when documented management accounting rules - procedure manuals and program code respectively in the cited examples - *may* precede routines and modify or refine the framework as set out in this paper. Finally, a historical analysis of the accounting records of a firm may reveal when management accounting practices became documented as rules. Spraakman (2006) provides a useful analysis of the archives of the Hudson's Bay Company, suggesting routines preceded rules, but such studies are limited in number.

To conclude, as Pentland et al (2010) note, only continued study of routines (and rules) will provide researchers with clearer understanding of the ontology of routines. Management accounting practices would seem to be a very fruitful area of study towards understanding routines, given the apparently less formal (documented) nature of what management accountants actually do on a daily basis.

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I Other institutional theories like New Institutional Sociology (NIS) and New Institutional Economics (NIE) have also been used by management accounting researchers. NIS was deemed unsuitable for the case study research as it primarily focuses on how practices become similar across organisations i.e. at the organisational field and societal levels. Similarly, NIE was deemed less suitable as its main premise is that the existence of institutions are less about individual tastes and preferences and more about rational optimisation and transaction costs.

II As noted by B&S the notion of scripts may be applied to either rules or routines. As this paper supports the underlying interactions of rules and routines proposed by B&S, “scripts” are not adopted here.

III A recent study by van der Steen (2011) adopted the ostensive and performatice dimensions of routines to explain how routines emerge and change.

IV The guiding function is included in this definition to distinguish documented rules from other forms of written documents. For example, the output of a management accounting routine might be a cost report, but this report although documented does not necessarily constitute a rule as defined here. A manual or set of instructions on how to obtain and use the report would constitute a rule.

V It could be argued that the ostensive aspect of a routine is similar to an informal (undocumented) rule. The may be a valid interpretation. However, certain assumptions must be made to clarify and explain the proposed framework, with the ostensive aspect of a routine being adopted over informal rules here.

VI Line A in Figure 1 is more or less as depicted in Burns and Scapens (2000), that is (documented) rules and (existing) routines represent accepted institutional values.

VII This is similar to on going interactions of rules and routines as proposed by B&S, which may cause change.

VIII As noted by Birnholtz et al (2007), there may be breaks in the acting out of a routine (e.g. a summer camp), but performance of the routines is necessary to maintain meaning.

IX For example, legislation may determine how certain aspects of an organisation operate. These “external” rules encoded in legislation are then interpreted by an organisation and “internal rules” come about which in turn determines the ostensive dimension of the routine. For example, health and safety legislation is normally the starting point for the drafting of internal health and safety policy documents.

X These extracts are for illustration only. Further discussion on rules can be also found in Pelikan (2003) and North (1990).