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New Public Management, institutional theory and changes in public accounting: a theoretical essay

Nueva Gestión Pública, teoría institucional y los cambios en la contabilidad pública: un ensayo teórico

New Public Management, teoria institucional e as mudanças na contabilidade pública: um ensaio teórico

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Abstract

Objective: This essay proposes to discuss the changes in the public sector accounting arising from the reform proposed by new public management (NPM), based on institutional theory. The research was motivated by the growing need for accountability in public management, with focus on timely accounting information demanded by internal and external users.

Methodology: The study is divided into two main parts. The first discusses the theoretical concept and characteristics of NPM, as well as the relevant factors behind its global development. The second part reports the changes in public sector accounting in the context of NPM, with special attention to the complexities in implementing the changes, considering cash and accrual accounting regimes and asset recording.

Results: The discussion promoted in this essay demonstrates that, despite accounting being seen as fundamental to the implementation, development, and achievement of NPM, cultural, political, and institutional aspects can directly affect the desired outcome. This includes the transition from traditional public administration and new public administration.

Study Contributions: The essay provides an institutional theory perspective for public sector accounting, specifically related to the change process by NPM. The analysis emphasizes the importance of accounting in implementing NPM while recognizing the challenges and complexities that arise in implementing the changes, including the influence of cultural, political, and institutional factors.

Keywords: Public Accounting. Public Management. Institutional Theory. Accountability.

Resumen

Objetivo: Este ensayo propone discutir los cambios en la contabilidad del sector público derivados de la reforma propuesta por la nueva gestión pública (NPM), basándose en la teoría institucional. La investigación fue motivada por la creciente necesidad de responsabilidad en la gestión pública, enfocándose en la información contable oportuna demandada por usuarios internos y externos.

Metodología: El estudio se divide en dos partes principales. La primera discute el concepto teórico y las características de la NPM, así como los factores relevantes detrás de su desarrollo global. La segunda parte informa sobre los cambios en la contabilidad del sector público en el contexto de la NPM, con especial atención a las complejidades en la implementación de los cambios, considerando los regímenes de caja y competencia y el registro de activos.

Resultados: La discusión promovida en este ensayo demuestra que, a pesar de que la contabilidad se ve como fundamental para la implementación, desarrollo y logro de la NPM, los aspectos culturales, políticos e institucionales pueden afectar directamente el resultado deseado. Esto incluye la transición entre la administración pública tradicional y la nueva administración pública.

Contribuciones del estudio: El ensayo ofrece una perspectiva de la teoría institucional para la contabilidad del sector público, específicamente relacionada con el proceso de los cambios traídos por la NPM. El análisis enfatiza la importancia de la contabilidad en la implementación de la NPM, al mismo tiempo que reconoce los desafíos y complejidades que surgen en la implementación de los cambios, incluyendo la influencia de factores culturales, políticos e institucionales.

Palabras clave: Contabilidad Pública. Gestión Pública. Teoría Institucional. Rendición de Cuentas.

Resumo

Objetivo: Este ensaio propõe discutir as mudanças na contabilidade do setor público provenientes da reforma proposta pela *New Public Management* (NPM), tendo por base a teoria institucional. A pesquisa foi motivada pela crescente necessidade de *accountability* na gestão pública, com foco em informações contábeis tempestivas demandadas por usuários internos e externos.

Metodologia: O estudo é dividido em duas partes principais. A primeira discute o conceito teórico e as características da NPM, bem como os fatores relevantes por trás de seu desenvolvimento global. A segunda parte relata as mudanças na contabilidade do setor público no contexto da NPM, com atenção especial às complexidades na implementação das mudanças, considerando os regimes de caixa e competência e registros patrimoniais.

Resultados: A discussão promovida neste ensaio demonstra que, apesar da contabilidade ser vista como fundamental à implementação, desenvolvimento e alcance da NPM, os aspectos culturais, políticos e institucionais podem afetar diretamente o resultado almejado. Isso inclui a transição entre a administração pública tradicional e a nova administração pública.

Contribuições do estudo: O ensaio oferece uma perspectiva da teoria institucional para a contabilidade do setor público, especificamente relacionada ao processo das mudanças trazidas pela NPM. A análise enfatiza a importância da contabilidade na implementação da NPM, ao mesmo tempo em que reconhece os desafios e complexidades que surgem na implementação das mudanças, incluindo a influência de fatores culturais, políticos e institucionais.

Palavras-chave: Contabilidade Pública. Gestão Pública. Teoria Institucional. *Accountability*.

1. Introduction

Throughout 1980s, took place a movement towards administrative revolution in several developed countries, such as the United States, United Kingdom, Australia, Canada and New Zealand. This revolution is characterized by managerial freedom, market-oriented competition, service delivery, results-based performance, customer (citizen) orientation and a pro-market culture. These aspects of the administrative revolution have been collectively described as New Public Management (NPM) (Ball & Grubnick, 2008; Hood, 1991, 1995; Kearny & Hays, 1998; Kelly, 1998; Kickert, 1997; Nurunnabi, 2015; Villadsen, 2013).

Seen as a wayrn management approach in public administration, NPM started in the United Kingdom in the 1970s and emerged as a response to the deficits of traditional management, standing out for its emphasis on the performance and accountability of public administrators. This movement marked the transition to a more agile and less bureaucratic administration, encouraging the reduction of the state apparatus, privatization and the use of more efficient market and governance practices (Ball & Grubnic, 2008; Hughes, 2012).

The search for greater accountability and efficiency in the public service boosted the management techniques from private sector, in the perspective of the New Public Management (NPM) (Hood, 1991; Pollitt & Bouckaert, 2017). This paradigmatic change rose a global movement to reform public management, directly impacting several sectors, including public accounting, information transparency and accountability. In this context, instruments such as performance budgeting, accruals accounting and other management tools were used by public

organizations (Laegreid, 2017; Lapsley, 2009). The objective was to improve budget and asset management, in search of greater efficiency and control of public resources.

The implementation of the New Public Management (NPM) aims to depoliticize authority and decentralize management, seeking to return responsibilities to public bodies (Pollitt & Bouckaert, 2000; Ferlie, 1996). Such decentralization is designed to strengthen civil society participation in public management and boost democratization, as argued by Pecar (2001).

This administrative reform process was inserted in a specific regulatory and cultural environment, which is shaped by institutional standards. Institutional theory suggests that public management practices are influenced not only by economic pressures and technical efficiency, but also by social expectations and institutional legitimacy (Lawrence; Buchanan, 2017; DiMaggio & Powell, 1983). In this context, the use of NPM principles can be seen as a response to pressures for compliance and efficiency that emanate from the institutional environment in which public bodies operate. NPM reforms therefore reflect the adaptation of public organizations to the rules and expectations that define wayrn public administration.

The proposals brought by the reform found public organizations and accounting in a specific institutional context, composed of rules, norms and values that influence their structure and functioning. In this context, institutional theory provides a theoretical framework for analyzing changes in public accounting from the perspective of NPM. This theory proposes that institutions, understood as rules and norms that structure society, shape the behavior of individuals and organizations. About NPM, the use of new management techniques and accounting instruments represent a significant institutional change that aims to restructure public management and make it more efficient and transparent (Lawrence; Buchanan, 2017; DiMaggio & Powell, 1983).

In public accounting, the changes sought to emphasize budget management focused on results. This includes methods such as performance-oriented budgeting and ABC (Activity-Based Costing) to link public spending to the results achieved, as pointed out by Hood (1991) and Pollitt & Bouckaert (2017). The emphasis has expanded to evaluating and measuring the performance of public entities, based on specific indicators and objectives, as discussed by OECD in 2007.

These practices are evident in the United Kingdom, where the "Management by Results" (Performance-Based Regulation - PbR) strategy was adopted in the 1980s. In New Zealand, progress occurred with the "New Public Service Model" (New Public Management - NPM) in the 1990s. And in Brazil, the integration of the Fiscal Responsibility Law (LRF) and the Multi-Year Plan (Plano Plurianual - PPA) illustrates the strengthening of budget control mechanisms.

With the objective of providing more reliable information about institutions, one of the central points of the New Public Management (NPM) is the use of accrual basis for recording operations (Hood, 1991). It is understood that the use of accrual accounting in public sector entities represents one of the most significant impacts of NPM (Lapsley, 2009). This principle, based on accounting, requires that transactions be recorded when they occur, regardless of the receipt or payment of cash flows, ensuring more accurate accountability (Laegreid, 2017).

In order to promote transparent and accountable governance towards stakeholders, in the last two decades several public service organizations have transitioned from cash accounting to the accrual basis (Pollitt & Bouckaert, 2017). This movement also aimed to improve financial management and reporting, so that legislators, the public and other users of public financial information could better evaluate the financial performance of entities (Ferlie, 1996).

This theoretical essay aims to analyze the changes in public accounting driven by the New Public Management (NPM), in the light of institutional theory. The investigation focuses on interrogating the relationship among accounting and NPM reforms, seeking to understand

how accounting principles and practices adapt and reconfigure themselves in the demands of a changing public administration. The objective is to understand accounting changes that emerge to meet the needs proposed by the change from traditional public management to the innovative approach proposed by NPM.

This essay is structured into five sections, including the introduction. In the second one, there is a discussion of the New Public Management and the reforms proposed by it, followed by a literature review on some implications of these changes for accounting. Then, the third section addresses the implementation of changes in accounting systems in the public sector, in order to allow a brief reflection on their development from the organizational and institutional perspectives of accounting reform. The fourth section presents the analysis and discussion of changes in accounting from NPM principles. And, finally, the final considerations of this essay are presented in the fifth section.

2 Theoretical Framework

2.1 New Public Management

The concept of New Public Management (NPM) emerged at the end of the 20th century as a response to criticism of the inefficiency and ineffectiveness of the bureaucratic model of public administration. Inspired by business management principles, NPM seeks to introduce practices of efficiency, flexibility and results orientation into the public sector, with an emphasis on decentralization, competition and performance measurement (Hood, 1991; Osborne & Gaebler, 1992).

Originally developed in the United Kingdom in the 1970s, under the command of Prime Minister Margaret Thatcher (Gruening, 2001), in the early 1980s the idea of NPM was also implemented by some Californian municipalities as a way to contain the severe fiscal deficit. Furthermore, as reported by Borins (1998), most Commonwealth countries have implemented, to some extent, NPM, most notably the United Kingdom, New Zealand, Canada and Australia.

In the literature, studies about NPM are usually associated with the terms "post-bureaucratic", "managerialism", "market-based public administration", "entrepreneurial government", "new paradigm", "marketization of the public sector", "public sector reform", "privatization" (Lynn, 1998).

One of NPM pillars is the use of a market-oriented approach, in which government entities are encouraged to use management practices similar to those in the private sector. This includes the implementation of accounting and financial reporting systems that promote transparency and accountability of public managers (Hood, 1995; Pollitt & Bouckaert, 2017).

Furthermore, NPM emphasizes the importance of user satisfaction and the quality of public services, proposing the use of performance indicators and benchmarks to evaluate and improve the effectiveness of public policies (Hood, 1991; Osborne & Gaebler, 1992). This approach seeks not only efficiency in the allocation of resources, but also effectiveness in the delivery of public services that meet society's needs.

Defender of new public management, the Organization for Economic Cooperation and Development (OECD) encourages countries to use the principles of NPM. And although there is extensive academic criticism of NPM, this scenario demonstrates that its principles have been widely accepted in wayrn public administration practice (Frederickson et al., 2018).

Thus, supported by the Organization for Economic Cooperation and Development (OECD), which reinforces its importance, New Public Management (NPM) promotes standards that prioritize user satisfaction and service quality. Adherence to these principles is evidenced by the widespread implementation of NPM practices across several countries, despite the

existence of a robust academic debate about their limitations. This acceptance suggests broad agreement about the effectiveness of NPM in meeting wayrn public administration expectations (Frederickson et al., 2018).”

NPM is characterized as an emerging paradigm that seeks to establish a culture of performance in the decentralized public environment, as pointed out by Mathiasen (1999). Complementarily, Anderson et al. (2002) argue that NPM represents a change in the culture of public service, moving from a bureaucratic approach to a more business perspective, where performance is the focus and the public service acts as an extension of the State.

The involvement of OECD and other international agencies in promoting NPM, such as the United Nations, World Bank, International Monetary Fund (IMF) and Asian Development Bank, has encouraged the movement to become even more global in the public sector management (Jones & Kettl, 2003). As a result, NPM covered not only OECD member countries, but also Latin American countries, Scandinavian countries, Germany, Switzerland, Italy, Asian countries and African countries.

According to Rosenbloom et al. (2009), based on the United States context, the authors observed that only 20% of the public believed that the federal government had achieved its objectives effectively and efficiently. This condition was worsened by the fact that until the end of the 1970s, American governance was weakened by the traditional public administration regime and this affected almost all levels of government.

The 1991 taxpayer revolts from California to Massachusetts were also a critical factor in Americans seeing that their government, regardless of level, needed drastic reform and even "reinvention," in the words of Osborne and Gaebler (1992). During this period, the US was in a privileged position, as New Zealand, Australia, the United Kingdom and some other countries under the OECD had implemented NPM previously (Rosenbloom et al., 2009). Under the Clinton-Al Gore administration, the United States government adopted the principles of the model they introduced as the "New Performance Review" or NPR.

From the United States perspective, NPM started with its emphasis on transparency and accountability strengthened the Freedom of Information Act of 1966. Consequently, NPM came to be seen as a market-oriented initiative that strongly supports ideas such as decentralization or autonomy, focusing on the customer (citizen), improving quality and competing for efficiency, in addition to encouraging the privatization of the public sector, which made it get notoriety as an alternative management model.

Although these factors underlying the expansion of NPM seem to be generally accepted among its observers, Hood (1995) is among those researchers who remain in disagreement with such a management proposal. Using NPM implementation data from OECD member countries in the 1980s, his investigation concluded that there is still no general basis to be used to distinguish high and low intensity NPM adherents. According to the author, there are several “variations on the theme” that require prior attention during implementation.

Hood (1995) argues that there is no single recipe for successful implementation of NPM. Given the differences in the political, economic, social and cultural landscape between countries, the use of NPM may result in different outcomes. Therefore, it is crucial to be cautious in believing that, when implementing NPM or other management techniques and practices such as accounting, they can be free from contextual or cultural influences. Corroborating Hood (1995), Nurunnabi (2015) identified that there is a strong influence of political-institutional factors on the implementation of accounting standards.

For Ouda (2014) it is more reasonable to see accounting as the result of a socially constructed reality, so that recognizing distinct cultural characteristics of any nation, or even of any organization where new techniques or methods will be implemented, is indeed critical.

Consequently, NPM scope is so widespread and it can be speculated that a number of programs can be carried out under NPM name, including public budget management and the improvement or reform of the accounting system, seen as a crucial basis for transforming traditional government into a more diligent government.

2.2 NPM reform and accounting in the Public Sector

NPM use resulted in a change in the management culture in the public sector and in the culture of Public Administration (Ball, 1994) and brought with it the need to prepare financial reports similar to the corporate (private) model. This arises from the fact that managers of public sector entities need reliable and timely financial data that can assist them in the decision-making process and the efficient use of available resources (Ouda, 2014).

According to Hooper and Kearins (2003), managers of public sector entities need to manage public resources efficiently and effectively and this includes a robust accounting system that helps them meet their objectives. However, a single way of applying private sector principles to entities and assets that differ in their purpose and essence may be unfeasible, and such changes must respect the particularities inherent to the public sector. Thus, Mathiasen (1999) identified five attributes that characterize NPM, they are:

1. Focus on results in terms of efficiency, effectiveness and quality of service;
2. The replacement of centralized hierarchical structures with decentralized management environments where decisions about resource allocation and service delivery are made closer to the citizen;
3. The flexibility to explore alternatives for targeting public provision and regulation that can produce more cost-effective policy outcomes;
4. Focus on the efficiency of services provided directly by the public sector, establishing productivity goals and creating competitive environments within and among public sector organizations;
5. Strengthening strategic capabilities at the center in order to guide the evolution of the state and allow it to respond to external changes and diverse interests with flexibility and at the lowest cost.

Regarding the characteristics of NPM, as well as its underlying theories, it is possible to observe that, in order to be successful in adopting NPM, there must be prerequisites, such as the existence of: (i) occurrence of organizational change that leads to facilitate competition to achieve greater efficiency; (ii) organizational climate favorable to changes; and (iii) a quality assurance mechanism (Hood, 1991; Osborne, 1992).

Consequently, accounting presents itself as an essential part of this transition. Its technical function, for example, relates directly to the core of several NPM initiatives or programs, such as decentralization, transparency and improved accountability, performance-based management and privatization, for example.

In this context, Hood (1995) stated that accounting is the key element in any attempt to increase the rationalism promoted by accountants and managers. Although he treated accounting merely as a technical tool to achieve NPM objectives, his relationship demonstrates the unbreakable link between the doctrinal element of NPM and its implications in the field. It not only supports transparency and financial accountability but also contributes to the implementation of performance-focused management practices. As Broadbent and Guthrie (2009) observed, in the public sector under the aegis of NPM, accounting has become more

than a mere compliance exercise; it is a lever for change, supporting more agile, transparent and result-oriented public management.

3 Changes in public sector accounting

Although NPM benefits are attractive, which may have led many governments to implement it instantly, empirical investigations have produced extensive findings that not all governments that have adopted NPM, more specifically those that have driven accounting changes, have been successful. Some failed due to technical incompetence, others due to legal restrictions, some due to lack of political support, others due to the lack of support from the organization's managers and others due to leadership problems that led to difficulties in implementation (Hood, 2007; Broadbent and Laughlin, 2009).

Christiaens (2003) reports that the government of New South Wales, Australia, achieved success in implementing accrual accounting as a result of a good combination of qualified international consultancy work and a high degree of organizational interest in implementing changes. According to the author, the most important element of NPM implementation to achieve the desired result is employees' support. This factor is apparently evidenced both by a defined political agenda, at political institutions involvement and by clear policy formulation at the jurisdiction level of each individual agent.

Another study on public sector accounting attempted to investigate the use and implications of the issuance of the Governmental Accounting Standards Board (GASB) Statement No. 43, entitled Basic Financial Statements and Management. Its discussion and analysis for states and local governments in the United States was conducted by Durler et al. (2002). The statement introduced government-wide Financial Statements based on Accrual Basis Accounting that allows any state and local government in the US to modify the existing accounting system to conform to the proposed new structure.

The modification to the accrual basis was technically introduced along with the statements to link the old accounting systems to the government-wide financial statements. This study found that, instead of reducing the difficulty of preparing the statement in accordance with GASB Statement No. 34, the introduction of the modified accrual basis as a bridge to link the old and new systems actually complicates implementation at the record level. Furthermore, the traditional accounting system emphasizing the previous period and neglecting the recognition of fixed assets was also another impediment factor in implementing the proposed changes in the statement.

If performance information can be produced through financial means and management accounting is developed and used successfully by the government, for example, the space to drive reform within that government can be expanded and consequently the corresponding government will be in a better position to conduct more transparent, efficient and effective work (Augustinho, De Lima 2012).

Thus, the outcome in the development and use of performance information, to some extent, depends on the success or failure in implementing more appropriate budgeting and accounting systems. Lapsley and Pallot (2000) attempted to emphasize the importance of the accounting system, specifically the accrual basis and comprehensive recording of assets in a business-equivalent manner, in the context of seeking new public management objectives, which have given great interest to the use of information accounting in public sector management.

The centrality of accounting in public sector management change also became clear from the statement by Brash (1998), who points out that provision accounting was seen mainly

as an integral part of management change. Additionally, asset recognition in public sector financial statements is consistent with the principles of New Public Management (NPM), where public sector organizations build on private sector management practices to drive efficiency and effectiveness and improve accountability management (Lapsley, 2009).

3.1 Organizational perspectives of accounting reform

According to Burke (2017), an organizational change passes through four areas within an institution: human resources, functional resources, technological and organizational capabilities. For the author, the reform will be able to provide managers of public assets with relevant, complete, accurate, timely and transparent accounting information.

As these four areas are interdependent in nature, it is not always easy to recognize the effects of an organizational change only in a certain area, without considering other effects in other areas of the organization. This way a series of ideological values introduced by NPM, such as transparency, competition among internal organizational units, performance orientation, outsourcing and the use of market price as the only fair measure in exchange transactions for goods and services are considered facilitators for local government officials to change their behavior and culture (Burke, 2017).

As a result of the ongoing process of institutionalization that involves conflict and resolution of conflicting interests among parties, internally or externally, any organization is essentially in the process of competition between the institutionalization and deinstitutionalization of what we know as the routines or rituals of an organization (Burns & Scapens, 2000; Carpenter & Feroz 2001). An organization's pursuit of using new innovative techniques is labeled as institutionalization, which is a social process by which the organization's programs, structures, and policies obtain "rule status" as legitimate parts of the organization.

3.2 Accounting reform from the perspective of institutional theory

Organizational change is a central issue within organizational theory, management and, increasingly, accounting (Quattrone & Hopper 2001). In organizational studies, organizational change appears to be a perennial interest (Styhre, 2002). However, it must be noted that institutional theory, according to Greenwood and Hinings (1996), is not a theory of organizational change, but it provides a good basis for understanding this phenomenon due to its ability to explain organizational similarity and stability, which is designed in a certain population or field, or what is mentioned previously as institutionalization.

Westwood and Clegg (2009) identified four stages of the institutionalization process: innovation, objective, legitimation and diffusion as well as deinstitutionalization. The fully institutionalized condition is reached when a new practice or routine reaches its peak, that is, in the fourth stage. In its entirety, due to the internal dynamics of the organization as well as its environmental sustainability, the situation of being fully institutionalized or when something has become an institution, is basically temporary in nature.

Typically, as quickly as something reaches its institutionalized status, the tendency to destabilize immediately begins to be a new force to find the next innovation as the new resolution. In the logic of the force field change theory proposed by Lewin, the longevity of the institutionalized situation will depend entirely on the balance between the power of change and the power of resistance (Jones, 2003).

Institutionalization, according to Burns and Scapens (2000), is naturally cumulative and involves phases of action, codification, reproduction and institutionalization in a circular

manner. What must be observed is that at each phase or stage of institutionalization, an organization, like a human being, socially thinks and shapes, as well as is socially shaped and modified to obtain the best acceptance in relation to the new rules or routines.

As a result, phenomena such as fixation, organizational inertia or resistance, both aggressive and passive, become evident during the process. Institutional theory recognizes that, in an organization, organizational impression occurs when a routine is seen and treated by its members in an organization as taken for granted and the only available model of thinking and doing something (Carpenter & Feroz, 2001). Furthermore, because the organization is external and resource dependent, the dynamics of these internal issues often mix with isomorphism, a process in which the organization becomes more similar to its environment (DiMaggio and Powell, 1991).

DiMaggio and Powell (1991), as well as Carpenter and Feroz (2001), defined isomorphism as a process that leads a unit in a population to resemble other units in the population that face the same set of environmental conditions. In organizational terms, environmental isomorphism will tend to increase the homogeneity of an organization and make it less unique compared to others in the same domain. Therefore, systems can be influenced by both organizational imprinting and isomorphism.

This means that at one point the current budget or accounting system may be treated as the only way of managing the organization's financial resources which tends to resist any budgetary or accounting innovation. But in the next instance, it is a part of the organizational method to acquire new institutional legitimacy, internally or externally (Carpenter & Feroz, 2001).

Isomorphism, as mentioned previously, is carried out in a coercive, mimetic or normative way. Coercive isomorphism occurs when an organization changes its routines, for example its procedures, management style or other rituals as a result of another organization's dictatorial power. The power of dictatorship can be in legal regulations or threatening power to provide or stop the vitality resources required by the organization. There is a situation, however, in which innovation or change is not primarily driven by the organization's key people's own prophecies, but comes from the success of another organization in managing innovation. This is what institutionalists call mimetic isomorphism (Silva, 2018; James, 2007).

Thus, the mimetic way of isomorphism exposes innovation for an imitative reason, and not innovation developed internally and originally. The last way of organization isomorphism, the normative way, occurs when organizational innovation is driven primarily by advanced or revolutionary views of the organization's key people, for example, through internal professionalization (Frumkin; Galaskiewicz 2004).

Key people in the organization can gain further insight into their formal educational background through ongoing professional training, scientific or professional journals, magazines, peers, or industry association conferences. They lead the organizational journey to develop their organization (Frumkin; Galaskiewicz 2004).

Based on this categorization of organizational isomorphism, the accounting reform conducted especially to implement new public sector budgeting and accounting systems appears to be a “coercive isomorphism” rather than a “mimetic isomorphism” or “normative isomorphism” (Alsharari, 2020).

However, one can necessarily consider that the way of isomorphism experienced by an organization is not always unique, but rather a combination of these ways simultaneously. For a given local government, for example, the legal obligation may be more of an initial impetus than the main motivation to which all efforts will be devoted (Frumkin; Galaskiewicz 2004).

Considering the way of organizational isomorphism, including in the public sector, cannot be isolated from the motivation of the organization's actors, as well as from the

influences of values deeply imprinted as a result of previous institutionalization, variations in the way of response to institutional pressure can be found, instead of merely looking at the ways of isomorphism (Alsharari, 2020).

According to Burke (2017), there are five strategies commonly implemented by an organization to respond to its own environmental pressure, that is: to accept, give in, avoid, challenge or manipulate. These five strategies are continuous in nature, so the movement from acceptance to manipulation represents a progress from low passivity to high activity. Based on this typology, Burke (2017) can distinguish between coercive pressure and voluntary diffusion, where the latter term is used to include mimetic and normative isomorphism (Villadsen, 2013).

The final question that may be relevant in the case of accounting-related changes brought about by NPM, specifically from an institutional perspective, is a question about the magnitude of the organizational change itself. In fact, in the term “change” there is a basic idea of dramatic change. But it is not necessarily true that any implementation of a new technique or procedure within an organization labeled as “change” is substantially a modification, it may merely be what Nelson (2003) mentioned as convergent change, a way of change to improve, in response to environmental pressure.

It is important to note that institutional theory not only provides a backdrop for understanding the homogeneity in accounting practices driven by NPM, but also sheds light on the persistence of divergent practices in different jurisdictions. Institutions, constituted by formal and informal rules, norms and cultural practices, shape organizational actions in such a way that global standards such as NPM are interpreted and adapted according to local contexts (DiMaggio; Powell, 1991; Lawrence; Buchanan, 2017; Meyer & Rowan, 1977).

This complex interaction between global influences and local institutional dynamics can be exemplified by the variability observed in the use of accounting standards in different countries. For example, while some governments may quickly use NPM-recommended financial reporting practices, others may significantly modify them to align with local accounting traditions, stakeholder expectations, and existing institutional capabilities. This tension about isomorphy, which promotes similar practices, and local institutional forces, which encourage customization and adaptation, highlights the relevance of institutional theory as a crucial lens for analyzing transition and transformation in public sector accounting practices. (Oliver, 1991; Powell & DiMaggio, 2012)

3.3 NPM, institutional theory and changes in Brazilian accounting

Accounting in Brazil has undergone significant transformations, especially with the use of the International Financial Reporting Standards (IFRS) and the reform of public financial management. These changes are in line with the principles of NPM and are influenced by institutional theory.

The use of the International Financial Reporting Standards (IFRS), initiated in 2007, represented a milestone in the search for greater transparency and comparability of the financial statements of Brazilian companies. This change, aligned with the principles of the New Public Management, aims to harmonize national accounting practices with international standards, facilitating the raising of resources in the global market and the comparison between companies from different countries (CPC, 2007; Lima & Niyama, 2015).

At the same time, in the public sector, Lei de Responsabilidade Fiscal (Fiscal Responsibility Law) – Lei Complementar nº 101/2000 - introduced important reforms in financial management, emphasizing fiscal responsibility and transparency in the use of public resources (Brazil, 2000). This legislation reflects NPM ideals of improving public sector efficiency and accountability. These measures, aligned with the principles of NPM, aim at fiscal

responsibility, transparency and efficiency in the management of public resources (Brasil, 2000; Tribunal de Contas da União, 2019).

These changes aimed to increase efficiency, transparency and accountability in accounting practices in the public sector through the following changes:

1. Use of International Financial Reporting Standards (IFRS): One of the main changes was the use of international accounting standards, IFRS, for publicly traded companies, which began in 2007 with the publication of Law No. 11,638/2007. This law amended Lei das Sociedades por Ações (Brazilian Corporation Law) – Lei nº 6.404/1976 - and marked the beginning of the process of convergence of Brazilian accounting standards with international standards (CFC, 2007). The use of IFRS aimed to increase the comparability and transparency of financial statements, aligning with NPM principles of efficiency and accountability (Lima & Niyama, 2015).

2. Fiscal Responsibility Law (LRF): Although it was enacted in 2000, the Lei de Responsabilidade Fiscal (Fiscal Responsibility Law) – Lei Complementar nº 101/2000 had its effects more widely felt in subsequent years. The LRF introduced stricter rules for the fiscal management of public entities, requiring greater transparency and responsibility in the preparation and execution of budgets (Brasil, 2000). This legislation is in line with NPM ideals of improving efficiency and financial management in the public sector.

3. Fiscal Transparency Law (Complementary Law No. 131/2009): Known as the Transparency Law, this legislation complemented the LRF by requiring the availability in real time of detailed information about the budgetary and financial execution of public entities on the internet (Brazil, 2009). This measure reinforced NPM principles of transparency and accountability.

4. Use of the Brazilian Public Sector Accounting and Tax Information System (SICONFI): Implemented by National Treasury in 2014, SICONFI aims to improve the quality of accounting and tax information in the public sector, promoting greater transparency and standardization in the provision of accounts of federative entities (Tesouro Nacional, 2014). The use of SICONFI is aligned with NPM's objectives of increasing efficiency and transparency in public management.

5. New Fiscal Regime (Constitutional Amendment nº 95/2016): The Constitutional Amendment No. 95/2016 established a new fiscal regime that limits the growth of the Union's primary expenses to the variation in inflation, measured by IPCA, for a period of 20 years. This amendment seeks to promote fiscal balance and the sustainability of public accounts, aligning with NPM objectives of efficiency and control of public spending (Brasil, 2016).

The use of international accounting standards, IFRS, and the implementation of the Fiscal Responsibility Law are concrete examples of how these reforms aim to align Brazil's accounting practices with international standards and strengthen fiscal management. However, it is crucial to recognize that for these changes to be effective and sustainable, an ongoing commitment to technical capacity building, political support and cultural adaptation is necessary. Thus, accounting in Brazil continues to evolve, reflecting a balance between global pressures for harmonization and the local specificities that shape its practice.

4 Analysis and Discussion

According to the principles of New Public Management (NPM), public sector organizations should build on private sector management practices, including accounting, to drive greater efficiency and effectiveness and to improve management accountability (Hood, 1991, 1995; Lapsley, 2009).

Given the characteristics of NPM and its underlying theories presented by Mathiasen (1999), accounting occupies a fundamental space in the transition between traditional management and new management. However, to meet this demand, accounting adjustments are necessary. Changes in accounting, resulting from the new public management, seek to meet new demands for transparent, useful and relevant information for decision making.

Despite the demand for changes, several factors can influence the use and implementation of NPM principles in accounting. From a political perspective, Nurunnabi (2015) identified that there is a strong influence of political-institutional factors on the implementation of accounting standards. The study concluded that accounting standards implemented in public institutions invariably interact with local institutions (political institutions in this case), with variable results.

The author also identified that coercive, normative and mimetic isomorphisms are low in the case under analysis. Notably, political forces have undermined mimetic isomorphism because of the high level of government intervention and the high level of political lobbying. Institutional political pressures disrupt mimetic isomorphism and constitute negative forces that increase tension in accounting regulation (Nurunnabi 2015).

Complementing the thinking of Nurunnabi (2015), Villadsen (2013) suggests that organizations exist under competing pressures to be similar and different from other organizations in their field of action. That is, they theorized that, to meet this challenge, organizations can replace increased similarity in one core dimension with increased idiosyncrasy in another, but only after a certain level of isomorphism is achieved (Villadsen, 2013).

According to Ouda (2014), changes pertinent to accounting must consider the distinct cultural characteristics of each nation, which corroborates what Mathiasen (1999) and Hood (1995) say, which also highlight the differences in the political, economic, social and cultural scenarios among countries in the use of NPM.

If, on the one hand, Lapsley and Pallot (2000) emphasized the importance of accounting and management in the private sector to be adopted by the public sector, on the other, according to Hooper and Kearins (2003), despite managers of public sector entities need to manage quickly its resources, and this includes a robust accounting system that provides accurate information, rendering decision-making efficient and effective in meeting its objectives, the unique way of applying private sector principles to public sector entities may represent unnecessary overkill.

Mautz (1981) asserts that both the entities and the users of accounting information in the public sector are different from those in the private sector. For the author, the use of government financial reports along the same lines as business statements will not meet the needs of information users and such a practice may also overload the reporting model so drastically that the resulting numbers would have little or no use.

Despite the differences highlighted by Mautz (1981), and the clear concern in the statements of Hooper and Kearins (2003), accounting is a key element in the changes proposed by NPM as understood by Lapsley and Pallot (2000), Carpenter and Feroz (2001) and Nurunnabi (2015).

In Brazil, the changes promoted by NPM, such as the use of IFRS and the implementation of Fiscal Responsibility Law (LRF), reflect a search for greater efficiency, transparency and accountability in the public sector. However, institutional theory warns about the importance of local norms, values and traditions in shaping accounting practices.

The implementation of these reforms in Brazil faced challenges arising from political-institutional factors, as identified by Nurunnabi (2015). The study highlighted the influence of political interests and the level of government intervention as factors that can undermine mimetic isomorphism, that is, the tendency of organizations to resemble best international practices. This suggests that, despite NPM's reformist intentions, changes in Brazilian public accounting are shaped and, in some cases, limited by the country's institutional and political context.

Furthermore, the effective implementation of accounting reforms requires an alignment between NPM objectives and the organizational reality of public entities. As highlighted by Burke (2017), organizational change covers several areas, including human, functional, technological and organizational resources. Therefore, for the accounting reform to be successful, there must be commitment and involvement from employees, as well as a political agenda that supports the changes.

5 Final Considerations

This theoretical essay sought to reflect on some aspects pertinent to NPM, highlighting its context and relevance in Public Accounting. It can be observed that from the 1980s onwards there was a movement in many developed countries towards an administrative revolution. This revolution is characterized by managerial freedom, market-oriented competition, business service delivery, value for money, results-based performance, customer orientation and a pro-market culture. These aspects of the administrative revolution have been collectively described as New Public Management (NPM).

The increased demand for transparency, accountability and better quality of public services has forced public sector organizations to adopt a new managerial approach in managing their organization. The pressure to be more efficient, market-oriented, results-oriented and customer-focused has caused the public sector organization to move away from the old model of its traditional public administration to a newer, more modern approach that is called NPM. The use of the New Public Management model represents a need to carry out reforms in the public sector, i.e. accounting reform, budget reform, financial management reform, audit reform, as well as institutional reform.

Migrating to the accrual basis and recording assets in the financial statements is a way of reforming public sector accounting. It must be noted that the accounting reform was actually not just a change in technical standards, but also required a change in cultural, behavioral and institutional aspects. And as presented in the literature, accounting reform in the public sector will not achieve its objectives if it is not accompanied by capable and competent human resources, information technology support, favorable organizational culture, law enforcement, all of this in a well-designed institution.

While NPM principles point to the use of private sector management practices in the public sector, the Brazilian context offers an illustrative example of the complexities involved in this process. The implementation of the Fiscal Responsibility Law (LRF) and adherence to the International Financial Reporting Standards (IFRS) exemplify the attempt to promote efficiency, transparency and accountability (Azevedo, 2017; Carvalho 2017).

However, the country's political and cultural institutions have demonstrated both resistance and adaptation to these principles. For example, in Brazil, LRF has been a driving

force for the progress of fiscal management, but the practical application of this law reveals significant challenges, such as the need to qualify accounting professionals and adapt national public finance to international practices (Azevedo, 2017; Carvalho, 2010; Soeiro; Wanderley, 2019).

In fact, the capacity of Brazil's public institutions to not only absorb, but also adapt NPM practices, demonstrates the dynamic nature of public accounting in facing challenges unique to the national context. Institutional resistance and the need for cultural and political adaptation reflect the complexity of transposing private management practices to the public sector. This process is accentuated in times of economic crisis, as evidenced by the recession that Brazil faced from 2014 onwards, highlighting the importance of resilient public accounting that can support decision-making in austerity scenarios (Pollitt & Bouckaert, 2017; Brunsson, 2006; Schick, 2014; Santos, 2019).

Therefore, looking to the future, it is essential that public accounting reforms guided by NPM principles are evaluated not only for their initial adherence to the ideals of efficiency and transparency, but also for their long-term resilience and adaptability. This essay not only highlights the nuances of the interaction among NPM, institutional theory, and public accounting, but also paves the way for future investigations into the effectiveness of NPM in other jurisdictions and under different economic and political conditions (Hood & Dixon, 2015).

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