The politics of the changing forms of accounting

A field study of strategy translation in a Danish government-owned company under privatisation

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Abstract  This paper presents an in-depth study of the processes of constructing a new strategy in a large Danish government-owned ferry company undergoing privatisation. To explain the emerging characteristics of accounting, the sociology of translation is used. The paper provides a story of a translation of strategy and related management initiatives using Callon’s four moments of translation. The story illustrates how, during the translation process, accounting changed its characteristics and uses from principles of control to principles of financialisation. Such emergent forms of accounting also reflect the political manoeuvring in the organisation as the result of network relationships. However, networks are open to erosion and undermining by active agents, changing the purposes of accounting. Whereas other authors within accounting, applying the sociology of translation, usually conceptualise accounting as inscriptions, this study explicates accounting as an interessement device. Finally, the study suggests that the sociology of translation may be a promising explication of accounting change.

1. Introduction
Many studies have demonstrated that accounting is significant and visible and has exercised an explicit impact upon strategic agendas (Miller and O’Leary, 1993). Dent (1991), for example, demonstrated that British Rail had developed its accounting system to be used for decision making in a number of instances. It appears that accounting has a central position in the daily control praxis and is tightly intertwined with the economic, social and political processes inside the organisation (Hopwood, 1992; Hopwood, 1987; Napier, 1996). In this way, accounting is seen as a natural part of the institutional structures and routines
reflecting the basic values and beliefs of organisational life. However, Hopwood (1992) suggests:

... that accounting can be implicated in the active construction and transformation of both organisational and social institutions, and the economic truths that are associated with them (p. 142).

As such, there is much evidence that accounting is actively involved in broad spectres of society.

The purpose of this paper is to extend this exploration of instances in which accounting is implicated in the active transformation of organisations. Our analysis is about the ferry company (FC) and the period between 1996-1999 when the FC’s customer platform was reduced by 70 per cent due to the new bridges replacing the ferry routes between Zealand and Funen, and Zealand and Sweden. At the same time, the highly profitable tax-free shopping on board the ferries disappeared. The FC was unable to find new routes to replace the lost activities and had to reduce its permanent staff to 25 per cent of the original workforce. In this context a contest of developing a new strategy for the company emerged. During this contest it appeared that previous management accounting initiatives had suddenly been stopped. The new CFO (chief finance officer) suggested new management accounting reforms to be launched but was, unexpectedly, not supported by top management. Therefore, the question arose on how and why accounting was implicated in the contest of developing a new strategy?

The analysis of the translation of new strategies in networks and the emerging characteristics of accounting is based on Callon’s theory on the sociology of translation (Callon, 1986; Callon and Latour, 1981). The way accounting emerged can be related to the following quotation from Clegg (1989) characterising the approach of Callon (1986):

... politically engaged agents seeking to constitute agencies, to constitute interests, to constitute structures, the method seeks to map how agents actually do “translate” phenomena into resources, and resources into organisation networks of control, of alliance, of coalition, of antagonism, of interest and of structure. Translation refers to the methods by which these outcomes are accomplished (Clegg, 1989, p. 204).

The translation process and the emergence of accounting in various forms are seen as constituted through a stream of events. Accordingly, we examine the idea of change in the politically engaged agents and the interests of the entities enrolled in the translation process through the moments of problematisation, interessement, enrolment and mobilisation. Our attention is focused on the processes in which a new strategy with implications for accounting is translated.

Such an approach is close to that of Preston et al. as also we study the fabrication processes before the strategy becomes established practice (Preston et al., 1992, p. 564). Preston et al. (1992) considers the fabrication processes focusing on overcoming sceptics, building networks of support, elaborating on meaning, and changing the understanding of its use (p. 589). They demonstrate
how accounting as a major management budgeting initiative is fabricated through complex political processes, whereas this study demonstrates how accounting emerges out of a contest to translate a new strategy. It is shown how the emerging forms of accounting reflect the political manoeuvring in the organisation and as the result of the network relationships provides new purposes and uses to accounting.

In accounting literature, there are numerous studies building on actor network theory (ANT) (Briers and Chua, 2001; Chua, 1995; Jeacle, 2003; Lowe, 2000; Mouritsen et al., 2001; Robson, 1992). The study by Briers and Chua focuses on ANT and boundary objects, whereas other studies using ANT deal with how the real world is transformed into numbers and tables as displacement devices or inscriptions (Chua, 1995; Robson, 1992; Mouritsen et al., 2001; Lowe, 2000). In Callon’s fourth moment, mobilisation, displacement devices play a significant role. However, in our empirical study, accounting numbers and graphs were little used to form convincing arguments. Therefore, rather than conceptualising accounting as inscriptions, this study shows that accounting can be conceptualised as an interessement device.

According to the view of the sociology of translation, accounting can be defined as a set of resources that may be used in differing ways as components of political strategies to build episodic networks of power relations in order to change the world. In terms of these political strategies, interests of potentially related actors and entities are formed to enrol them in the network and disassociate others whose interests are identified as conflicting with the views of the politically engaged agents. We then see accounting in subtle ways becoming a non-neutral device involved in the creation of new interpretations and understandings given “by fact builders of their interests and that of the people they enrol” (Latour, 1987, p. 108).

Having provided such an approach to the study of the construction of accounting, the structure of the paper can be clarified. The introduction is followed by a brief review of literature on power and politics to elaborate the theoretical framework of the analysis. Next, the applied method is introduced. We then present the analysis by showing, firstly, how accounting was part of the “development not liquidation” strategy; secondly, how the story of the investors’ network and the political contest for translating a new strategy of investment was told. In the conclusions section, we discuss the implications of the story.

2. Politics
Sociological and organisational theory literature has greatly contributed to our understanding of behaviours that cannot be explained by rational choice, but rather by political factors (Allison, 1971; Crozier and Friedberg, 1980; Hindess, 1982; Hindess, 1986; Pfeffer, 1981; Clegg, 1989; Giddens, 1984; Morgan, 1997). Therefore, we have conceptualised organisations as bodies of influence processes, behaviours as structured games, mobilisation of support as
discouraging opposition and the “circuits of power” as the capitalist state and the structures of domination. These are a few of the concepts we apply from the extensive literature of politics and power.

2.1 Organisational politics

Politics is not easily defined. According to Pfeffer (1981), politics involves organisational activities to acquire, develop and use power and other resources to achieve a preferred outcome in a situation where uncertainty or dissensus about choices exists (p. 7). This definition is very close to the definition by Morgan (1997), who returns to Aristotle's idea that politics stems from a diversity of interests. He traces how diversity leads to “wheeling and dealing”, including negotiations and other processes of coalition building and mutual influence, shaping a large part of organisational life (p. 160). Functionalistic political analyses usually attempt to uncover the diversity of interests, the negotiation processes, and the use of power in the day-to-day organisational life. In this way, we gain an insight into how organisations are organised as a result of influence processes. This means that for one set of explanations we focus on organisational solutions, activities, or structural properties, as a consequence of political activity. However, not all organisational solutions or changes can be explained from a political perspective – that would render the concept meaningless (Pfeffer, 1981, p. 6). The inference is that politics deals with how different preferences are resolved in conflict. However, conflicts might be invisible and not easy to identify. Morgan's suggestion that interests, conflicts, and power should be studied in a systematic way, is appealing because it forces the researcher to clarify the interests of the actors involved in the social system. By identifying the interests of the actors in a study of critical events, we observe the more or less visible conflicts through the ongoing processes. Finally, we are able to explain the critical events in relation to the inherent conflicts and the outcome especially in terms of decisions or actions based on the various sources of power (Morgan, 1997). Studying interests as tasks, careers, and extramural interests (Morgan, 1997) in practice, is a difficult task due to the ambiguity of interests as pointed out by March and Olsen (1995).

Interests tend to change, they are shaped during the political processes that are going on, or they may be uncovered and discovered through actions (Pfeffer, 1981, p. 198).

Another aspect in the study of interests illustrates that:

In particular, political models of organisations imply that decisions are made on the basis of preferences of actors within the organisation, without regard to the welfare of the whole organisation (Pfeffer, 1981, p. 22).

However, studying events as an intermediate variable helps to identify conflicts and link them to organisational actions. In these conceptions on power, several sources of power become the focus of attention (Morgan, 1997). Also, interpersonal alliances and networks are significant in the study of
power. This approach to the study of politics and power explains how organisational obedience is produced to create effective agencies (Clegg, 1989).

2.2 The sociology of translation

However, the organisational politics perspective does not, as convincingly as the sociology of translation, conceptualise the processes by which certain emerging constructions may be analysed and explained. Functionalist models tend to have a relatively static view on how interests are defined and how alliances may be formed. These issues are perhaps more clearly stated by Clegg who argues that such a view does not consider the mechanisms of “how networks of interests are produced and reproduced through conscious strategies and unwitting practices constructed by the actors themselves” (Clegg, 1989, p. 204). The sociology of translation, on the contrary, is apt as it shows us how translation of strategy depends on the construction of episodic associations or relations to change the world.

The analysis of the FC is based on Callon (1986) and Callon and Latour (1981) and their approach to “the sociology of translation”. The story of the strategy translation was clearly not entirely an internal organisational matter but did also involve a whole range of entities and actors outside the organisation. The sociology of translation does not, like most literature on organisational power and politics, assume the existence of organisational boundaries. Here, the approach is used as a way to tell the story of strategy-construction and new management initiatives. The constructed strategy and management initiatives should then be seen as providing a context for the implementation or rather further construction of the management initiatives (or fabrication as Preston et al., 1992, would name it) within the organisation:

Translation is a process before it is a result. This is why we have spoken of moments, which in reality are never as distinct as they are in this paper. Each of them marks a progression in the negotiations which result in the designation of the legitimate spokesmen who, in this case study, say what the scallops want and need, and are not disavowed: the problematization, which was only a simple conjecture, was transformed into mobilization. Dissidence plays a different role since it brings into question some of the gains of the previous stages (Callon, 1986, p. 224).

This perspective offers a view different from that of functionalistic definitions of politics assuming power as a “thing” without considering it as an attribute of relations (Clegg, 1989). Our focus is not so much on the point of free association in which the distinction between the social and natural world is defined. It is rather on the processes in the four moments. We focus especially on how the obstacles, obligatory passage points, and identities are identified by enrolling entities, how the large group of entities is passed through the passage points, how entities become interested or disinterested by interessement devices, how entities are translated into a few spokespersons who act and speak on behalf of a large group of entities, and how the spokespersons’ representative position
might be challenged at the moment of mobilising the network. In this view, power is to be understood as a relation and not as an attribute of actors or organisations. It deals with the associations of entities in which power is constructed. In the change process events, all sorts of tactics may be applied to enrol identified entities in the network and to keep others out.

3. Research method

Our method resembles an ethnographic study of political action (Callon et al., 1986). Though, we have not followed the instigators in a physical sense, but gathered empirical evidence in several other ways. We have established close relationships to many well-informed actors in and around the FC, and have conducted around 35 semi-structured interviews with the spokespersons and other related actors, engaged in a large number of informal telephone interviews or conversations with many different actors from the FC, parliament and central government. Some newspaper articles have also been used. The empirical evidence has been collected over a period of six years from 1996-2001. As such, the study is a longitudinal study to encompass historical events and controversies. In our opinion, the need for such ethnographic studies is highly relevant, as many important aspects of politics, which are difficult to study, are flushed out in hidden actor-networks over long time horizons.

4. Historical context

The 1980s marked the beginning of a turbulent period for the FC. The new public management reforms reached Denmark with the modernisation programme and the budget reform. The FC was separated from the railway administration and became an independent division as part of the ongoing decentralisation within the public sector (Hood, 1995; Pollitt et al., 1998). Another result of the newly introduced market management was increased emphasis on customer relations, such as catering services, punctuality, booking, and information services, etc. Quality control was also established. In 1987, the government decided to build a combined car and railway bridge on the key traffic route. The bridge was supposed to open within ten years.

In 1991, the railway FC’s corporate chief finance officer became the FC’s new CEO (chief executive officer). Now, the task was to straighten up the financial situation and management control. Following a consultancy project with suggestions in line with NPM, a new modernisation of the FC’s organisation and management accounting was initiated. New international routes were considered. But the plans remained plans because a number of suggestions made by top management to enter into new business areas were deemed not to yield the necessary returns on investment and hence prevented by parliament. It appeared that parliament did not want to run the risk of financing investments that later might prove unsuccessful. The division’s strategy came to reside in a network consisting of the Ministry of Finance, the Ministry of
Transport, The National Audit Office (NAO) and the CEO. The strategy of the network involved a strategy of “development not liquidation”. The CEO agreed with the unions that the division was to be developed because they and the government wanted to preserve jobs.

In summary, the type of management under development in 1991-1994 comprised the following management initiatives:

- assessment of potential investments by calculating return on investments;
- implementing responsibility accounting by dividing the division into profit centres, investment centres, etc.;
- implementing a troika management organisation at the ferries to involve the manager of the engine crew, the manager of the restaurants and the captain of the ship;
- a TQM system to measure and manage quality was implemented;
- implementing a system to assist cost control in relation to the ferries; and
- implementing financial management to keep control of the liquidity by investing in IT.

Also, in this period, the National Audit Office were conducting both financial and value-for-money auditing and the Ministry of Finance assisted in developing the accounting systems. In this sense the period was characterised by introducing new principles to tighten control of resources. However, by 1994, the unions began to fiercely criticise this strategy. It is at this stage, in 1994, that we pick up the story of the investors’ network in the process of construction. Figure 1 shows the network, which can be characterised as the central government apparatus, which were to be undercut in a long process of translation in which the unions and some others, as the instigators, began to problematise the strategy with the intention of constructing a new strategy consisting of initiating a large programme of investment in order to develop the company.

5. The investors’ story – a political contest on how to develop the ferry company

Previously between 1991 and 1994, the Ministry of Transport, Parliament, the CEO and the unions had generally accepted the idea of developing rather than liquidating the FC. The unions actively demanded development and not liquidation of the FC. Needless to say, the huge number of redundancies that the new bridges would create terrified the unions. Traditionally, the unions in Denmark have been very powerful and the unions related to the FC played a significant role in their capacity to block the bottlenecks in the Danish infrastructure. In the past many strikes on the ferries had paralysed the country. Influential MPs were dissatisfied with the enormous influence of the unions, which was one of the reasons that Parliament decided to build the
bridges. By building the bridges the influence of the unions would decrease. It is in this light that the interests of the unions must be seen:

In the political setting, the left wing parties of the government listened closely to the unions that refused to accept a liquidation of the FC. They would accept some cuts in jobs, but the retrenchment should not be costless to government. This was a problem for the government. Therefore, the unions actually had a huge influence on the decision not to liquidate, but to develop the FC to secure its future (head of department).

In some way, the CEO was in line with the view that the FC should be developed. But his strategy for developing the FC was, as mentioned above, to develop the management accounting of the FC.

5.1 Problematisation
The re-structuring of the FC in this period (1991-1994) led to some resistance, especially from the navigation officers. The new business oriented management concepts were quite the opposite of their norms for distribution of responsibility and the chain of command. In accordance with international ship regulations, the unions clarified to the FC that on ships in operation only one captain is in command:

The former CEO (1991-1995) had the idea that each ferry should be seen as a business unit. He wanted to appoint a business captain who would integrate the cafeteria, the fitters and engineers and the navigators into a coherent business unit. Therefore, the idea of troika-management appeared together with a wish to have a commercial captain in addition to the usual captain. But we told management that you couldn’t have two captains on a ship.
according to international law. The compromise ended up with a co-ordinating captain. Fortunately, the academic period is now over (co-ordinating captain).

This statement, made at a time when the management reforms had stopped, indicates how the former CEO (1991-1995) consciously tried to develop management accounting even to its lowest level at the ferries. The statement also indicates that some of the management’s initiatives were stopped at the very beginning of 1995. However, the point is that the navigators did not consider the CEO and his reforms favourably. The unions also began to criticise the fact that initiatives to launch or invest in new routes had never been realised. These problems were transferred to the Social Democratic Party that in 1993 formed the new government:

The former CEO (1986-1991) of the FC had close contacts with the unions as well as with the Social Democratic Party and the Prime Minister and was, through his close personal relationship with the Minister of Transport, highly influential social democrats, the future Minister of Finance and the Prime Minister, a central person in this process (Head of Department).

The questioning of the strategy began to diffuse in and around the FC. A navigator of the FC also questioned the strategy actively, he too having close access to the very top of the Social Democratic Party and convincing the prime minister that as many jobs as possible should be preserved. He published articles criticising the management and its strategy, demanding that the CEO resigned. The following quotation illustrates these actions:

The Social Democratic Party was very frustrated that they were not in government. At the time, the former CEO (1986-1991) and the influential navigators had regular meetings with [people at] the very top of the party during which they tried to define trade policies. The FC was a recurrent theme in these meetings (Head of the Department of Transport).

Over a period of 2-3 years, from 1992-1994, the unions played an active role in identifying the problem. Although the official strategy was development, it appeared to the unions and the former CEO (1986-1991) that the FC failed to develop, since business opportunities were lost, no new investments were made, the efforts of new management were problematic, etc. In these views, as in the quote below, accounting as a principle of ROI was seen as an obstacle to their goals because the meaning attached to ROI was that it hindered the investments:

In several instances, the FC was very close to becoming a partner in some very promising routes across the Baltic Sea. However, the FC was never able to act quickly, because top management made many investment considerations (ROI) that subsequently had to be presented to Parliament. Each time business opportunities were lost, either because Parliament did not approve, or because the contracts went to other companies that were able to act more quickly (CEO, 1995-1997).

There is some uncertainty as to the role of the former CEO (1986-1991) in the network, but it seems as if he as well as the unions were about to become indispensable actors. Following Callon (1986), the entities we identified to be enrolled in realising the idea of investments in the FC were:
The FC – the objective of which is to develop in such a way as to survive as a strong Scandinavian FC.

The unions – defined as the representatives of the staff. If their views were not taken seriously, they were able to stop the ferries by striking. The FC’s former CEO (1986-1991) became the “spokesperson” of this position as the story developed, probably because he had important insights from his time in the FC, but also because of his long-term relations to the international shipping industry and his close relations with the Social Democratic Party.

The Social Democratic Party – defined as having the authority to determine the FC’s management and board. The party feared the unions’ threats to strike before the bridges were opened. Also, their interests were identified as preserving Danish jobs.

The Department of the Ministry of Transport – defined as having the capability to present proposals that might influence both the Minister and the Parliamentary Committee of Transport.

The CEO – considered as the formal authority to decide new investments.

The chairman of the board of directors who was one of the instigators actively involved with constructing the idea of investment. His associations with the Social Democratic Party made him useful for the network.

Problematisation also involves the identification of the entities’ interests: the interest of the unions was to preserve jobs and secure high compensations for those made redundant. The interest of the Social Democratic Party was to avoid strikes and loss of jobs in accordance with the political movement to act in the workers’ interests. The interest of the Ministry of Transport was to prepare the sale of the FC and to help the social democratic government in their goal achievement. The interest of top management was to demonstrate dynamic management and development through investments as a way to disassociate the FC symbolically from government bureaucracy. Finally, the chairman of the board had the goal of creating a big Nordic shipping company. The obligatory passage point, which all the defined entities had to support, was a motion to invest in the FC. This network has been depicted in Figure 2.

5.2 Interessement

Interessement can be conceptualised as constructing a space in which it becomes possible to discuss ideas about changing the prevailing state of affairs. The definition of the interests of the network and the views shared by the entities that the development strategy should be revitalised by considerable investments were about being established. For the unions and the former CEO (1986-1991) who still acted in relation to the FC, this meant convincing the entities that investment was the only durable strategy of realising development.
For the FC, interessement occurred with the consent of the unions who claimed that Danish jobs would be lost without a new strategy of investments. To the Social Democratic Party, the new top management, the Ministry of Transport and the board of directors, it was a matter of the unions “threatening” parliament to take the development strategy seriously – otherwise the unions would block the bridges. Owing to this mode of thought, the Social Democratic Party and the left wing parties were concerned that jobs would be lost and the FC liquidated. In this way, the view of the liberal right wing parties to privatise the FC instantly was disassociated (Callon, 1986, p. 208) from the views of the identified entities. The views of parliament and the central government apparatus with its risk adversity and tight control of resources were also identified as an obstacle. To the CEO (1991-1995), the Ministry of Finance and NAO, investments had to be carefully considered, with particular attention being paid to the financial returns on investments, the introduction of new public management and management accounting in the FC. The following quotation illustrates why ROI became a contested form of accounting:

In my time, we made investment calculations on the future benefits of investing in new ships at Helsingor-Helsingborg. The old ferries were staffed with government officials. If you buy new ferries that require a smaller staff, you must consider that retrenching an official will cost €130,000. By including these costs, my calculation showed that it was not profitable. Now, the new management has done it and I do not believe it is profitable (CEO, 1991-1995).

Whereas the views of most of the entities accepted the obligatory passage point, the views of the CEO (1991-1995), as illustrated above, caused problems for enrolling him into the network. However, it took some time before the
instigators were able to deal with this issue. The opportunity appeared in 1994, in the debates about how the FC should be organised. The right wing parliamentary parties wanted the FC to be privatised. Even the Minister of Transport and the Minister of Finance supported the idea initially, but the unions with direct access to the Prime Minister prevented such a solution:

It was the Prime Minister who stopped the discussions about privatisation. Instead, the idea of a limited FC came up (Head of the Department of Transport).

This caused a shift in negotiations, which now concentrated on appointing a board of directors. The minister suggested to the Parliamentary Committee of Transport that the former CEO (1986-1991) of the FC should be appointed as a new chairman of the board of directors. The minister's interessement activities in parliament involved arguing that the old CEO had valuable experience from the shipping industry. In this way, the minister acted as a representative of parliament trying to ensure that parliament would share his view and accept the proposal. As the minister could count on government majority, his proposal was formally accepted. But in the process of trying to disassociate the liberal parties, the minister argued convincingly that the new chairman was very interested in privatisation, market economy and competition, which together with his private sector background and specific experience within the private shipping industry were highly valuable characteristics for a chairman.

Do not believe anything of what the minister and the head of the department tell you about the chairman of the board. He is closely related to the Social Democratic Party although they denied such a relationship. What has taken place in the FC is terrible (Member of Committee of Transport, MP for the Conservative Party).

The liberal parties felt that this person was closely related to the Social Democratic Party, which made them sceptical. They accused the Social Democratic Party of always appointing managers from their own party organisation rather than from an assessment of management skills. But the minister and the chairman denied such relations and the liberals could not prove the connection at the time.

5.3 Enrolment
The enrolment of the unions was done without negotiations, as they were the instigators. The enrolment of the CEO (1991-1995) was not without problems, as he was seen as the main obstacle to the investment motion. As one of the instigators enrolled into the network, the chairman of the board now had the role of initiating investments as he, according to the CEO (1991-1995), had the grand vision of the FC developing into a large Scandinavian ferry company. His role was also to enrol the CEO (1995-1997) into the network:

The new chairman of the board was a close personal friend of the Minister of Transport. The head of department preferred to control the agencies and companies through persons that the department knew and had itself politically created. Also, the chairman had deep roots in the
Social Democratic Party and through this relationship he was a very good go-between. In this way, he was very useful to the FC (CEO, 1991-1995).

However, his entry into a position in which he was able to fulfil his role in the network depended on parliament’s approval of his appointment as chairman of the board. Now, the time had come for the chairman to play his role by dismissing the CEO, who was identified as representing opposing interests and perhaps being the major obstacle. We do not know much about the chairman’s specific thoughts and possible talks with the unions and the minister. But following a few meetings between the chairman and the CEO, the chairman dismissed the CEO after having received approval from the minister and the head of department. Enrolment of the head of department of the Ministry of Transport was more complex, because he had to take an overall view of the interests of the state and the social democratic government as well as make the policy acceptable to Parliament and society as a whole:

Therefore, the political goal was to ensure that the FC provided society with the best and all-round cheapest transport infrastructure during the period of transition. The political world (i.e. parliament) could not accept the fact that ferry routes were closed down due to, e.g. strikes and conflicts before the bridge was opened. The management of the FC had to secure the transition, maintain order and increase marketability (Head of Department of the Ministry of Transport).

This quote from the interview indicates how the head of department interpreted the situation created by the decision to build the bridges and what is required to manage the FC in this new situation. The task of the head of department was to ensure that the FC would slowly be separated from the state, as it no longer had a strategic interest as a ferry operator. Because the unions and parliament prevented a simple liquidation of the FC, the task was to develop the FC in such a way that it could be sold to private investors or even to the population of Denmark. His role in the network was to represent the government and keep the minister informed of the actions of the board of directors and top management. He did so by appointing the CFO of the ministry to a member of the board.

Enrolment of the CEO (1991-1995), though, was not as easy as the unions and the chairman wished:

The chairman of the board had the vision of creating a large Scandinavian FC. But it is also a matter of the civil servants. It costs €130,000 to dismiss just one civil servant. When we talk about 2000, it is an enormous amount. It is a matter of who has to pay for the dismissals: the government or the FC? To optimise it for the benefit of the state is not their concern (CEO, 1991-1995).

Shortly after the chairman had been appointed, he dismissed the CEO. According to the former CEO (1991-1995), the chairman of the board had always had a grand vision of turning the FC into a large Scandinavian shipping company. However, the following quotation indicates that the dismissal of the CEO was not entirely decided by the new chairman:
It is a matter of showing the staff that the state is not acting as a company butcher. Therefore, the minister and I assessed that there was a need for entrepreneurship. At the time that the chairman of the board was appointed, something had to happen. The first thing he did was to dismiss the CEO (1991-1995) who was connected with the image of government bureaucracy (Head of Department).

In this way, the head of department adjusted his interests by accepting the dismissal of the former CEO (1991-1995), because he would not fit the image of an entrepreneur who could further the idea of investments. Here, we see an obvious example of an actor adjusting his interests during the process (Callon, 1986, p. 207). The role of the chairman was to find a new CEO who could effectively gain access to the financial resources required to invest in the FC. It was the chairman of the board who appointed the new CEO of the FC. That the dismissed CEO was critical of his successor and the chairman of the board is not surprising:

Again, we see the importance of personal relationships. The score is that the chairman of the board knew the new CEO (1995-1997) as an old schoolmate. Such relationships imply that they owe each other favours. They have not made their considerations properly. The new CEO has a background as a naval architect and almost no business experience. He is a technician. The chairman of the board and the head of department knew very well that they did not get someone with solid management qualifications. Also, the new vice CEO was a personal friend of the new CEO (the retiring CEO, 1991-1995).

The appointment of a new manager was an opportunity to enrol the applicant into the whole network and its basic idea. The CEO (1991-1995) pointed to the issue under negotiation saying that the question of strategy was also a matter of how the interest of the state was best served. Was careful investment the way to go or was the issue rather to employ a more aggressive investment policy? It was up to the CEO and his vice CEO in collaboration with the chairman to demonstrate the new strategy of revitalised development. Soon it appeared that the chairman and the CEO were mobilising the new strategy of development as an investment programme and a substantial internal re-structuring of management. Yet, mobilisation of the network depended on the chairman of the board and the CEO in addition to acceptance by the company staff, the head of department and parliament. The CEO was now ready to fulfil his assigned role in the network, just as the following quotation indicates. Here, he demonstrates that he shares the idea of investment and identifies some of the obstacles:

Historically, management of the FC implied transferring financial resources to Danish State Railways. They have never given the FC the necessary resources to develop the FC. The challenge to the FC is to look forward. Old doctrines vanish. Our philosophy is that we take the lead and say what we want them to do. It is very important to demonstrate dynamic management, to show that government bureaucracy is over and out. It is we who decide and act. Not the Ministry of Transport or Parliament (CEO of the FC, 1995-1997).
5.4 Mobilisation
Hence, at this stage, the enrolment was transformed into active support (Callon, 1986, p. 218) in which the mobilisation of the network depended on the chairman and the CEO initiating the strategy developed.

5.4.1 Investments and the political manoeuvring with accounting. The investment programme comprised a set of investments in new harbours, ships, routes, the acquisitions of other shipping companies and branding, etc., as outlined below:

- Acquisition of Spodsbjerg-Taars: €6.66 million.
- Stocks in Catlink: €4 million in cash.
- A new ferry for Catlink: €30 million.
- Acquisition of Europa line: €14.5 million.
- Investment in two new ferries at Rødby-Puttgarden: €66 million.
- New harbour facilities in Rødby: €33 million.
- New harbour facilities at the Gedser-Rostock line: €6.6 million.
- Investment in new branding (the name of the FC): €5.3 million

The most significant investments are stated by the CFO as being:

Not everything is mentioned, but more than €200 million were invested in 1996 and 1997 (Former CFO).

This quotation reflects an extensive investment programme and shows that the network succeeded in their efforts to invest. That the top management was serious about the investments and that the strategy was not without obstacles is indicated by the controversy that broke out at the end of 1996 when the Ministry of Transport and the Ministry of Finance wanted to collect €174 million from the FC:

At the end of 1996, the Ministry of Finance forced me to pay them €174 million, which was part of the deal with the Minister of Finance. However, the CEO refused to pay the amount, as he wanted to spend it on developing the FC. At this time, I was talking with him by phone several times a day. I really had to give him a lecture in politics. My telephone was at the point of melting down several times. However, he was brought to pay just before New Year’s eve. If he had not paid the money, the Ministry of Finance would have had a problem with the budget (Head of Department).

Thus, the Ministry of Finance delimited the investment zeal of the chairman and the CEO. The fact that the head of department had to make a concerted effort to hold top management to the deal is an illustration that the network was indeed not built upon consensus but underwent protracted negotiations, even within the network, to preserve it. Also, the network needed to justify the investments because an influential social democrat and former Minister of
Finance wrote in the press that the management of the FC should keep in mind that they invested tax-payers’ money and therefore had to consider ROI. The debate was shut down fairly quickly, because the social democrats as “fact builders” (Latour, 1987, p. 108) could provide the convincing argument that FC was now operating on market terms and was being managed by people with commercial backgrounds. This was a “fact” that the right wing parties could not oppose at the time. However, another tactic applied to make their way was that the new top management concealed the financial information on the investments.

When preparing the annual reports for the two years when we made the huge investments we found it necessary to disclose only partial information. We did inform of some of our investments and not the whole programme. We feared that such full information could raise some critique because our society is not used to dealing with public companies applying investment strategies (CFO).

NAO, too, tried to get access to conduct value-for-money auditing in relation to the investments because of the public debate. However, the Parliament’s Committee of Transport decided that NAO should not be given access to the FC to conduct value-for-money auditing (Power, 1997). The argument for this was that the FC was now a government-owned limited company that would report according to the Danish Company Accounts Act and be financially audited by private state-authorised public accountants in association with the NAO. These actions can be seen as political manoeuvres in which accounting is constructed in new forms to pave the way for the new strategy. Top management also defended their actions; thereby illustrating that accounting as a principle of control was not popular at the time of investment:

It was very important to increase the size of the FC to introduce it to the stock exchange. It was a fight against time to increase initial prospect offering (IPO) in time. Money was not the problem. Cash was not as critical as time. Therefore, the accountant demanding a carefully prepared plan was not popular in such a situation. Anyway, to put it mildly, we paid too much money and our decisions were not properly considered, but you must understand that we were working against time (CFO).

The CFO also defended the strategy by explaining that they had to increase the size of the company. This was due to the idea that the company was to be listed on the stock exchange so that the people of Denmark could buy shares in the company. Even though this never happened, it was a strong argument for why ROI was “inappropriate” at this stage. However, the CFO had the view that the investments were not always profitable:

For instance, I was not very keen on buying Spodsbjerg-Taars in the way we did. We bought it within 24 hours. All I had time to do was to check that all the formalities were in order. I feared that the investment was not profitable enough (CFO).

The CFO found that it was very difficult to talk about this within the company, and he did not express his concerns to the top management or others at the time. The main point is that, because they were in the situation of increasing
IPO, it was justifiable in the context that not all investments looked profitable at the moment of investment. At the time of investment the CEO explained why ROI was not appropriate:

The main task is to assess how we put the ferries into operation in an optimal way. We must assess the financial aspects of hiring out the ferries to different routes of the FC. Today, we rely on business intuition... [pointing to his nose (Ed.)]. However, we have dropped all calculations. You cannot calculate the profitability of the routes. We base our considerations on trends. We may anticipate the costs of the ferries, but we are working under heavy pressure of time (CEO, 1995-1997).

He made it very clear that calculations did concern him because he considered ROI inappropriate, because, in his rhetoric, the company was “in need of rapid development”. This called for business intuition rather than formal accounting techniques. We see here a certain way of understanding the situation as one of an “investment mode” which constructs the fact that it is not helpful to apply investments appraisal techniques.

The result of these manoeuvres was that the network succeeded in keeping the black box (Callon and Latour, 1981, p. 285) somewhat closed, because few were able to really question the investments. By restricting the financial information on the investments, actors such as NAO (and an influential social democrat who wrote critical letters to the press) could not verify the amount of money spent, and as a consequence they could not develop certain interests. Therefore, they and others were to some effect disassociated from problematising the investment strategy by weakening the links between these entities and the network. This is so because financial information holds the potential of providing information that may create visibility and accountability, which may develop specific interests with other groups of entities (Callon, 1986).

5.4.2 A new matrix structure and the context of new accounting initiatives. At the stage of mobilisation in the beginning of 1997, the new top management launched an initiative to restructure the company. The restructuring comprised two major management initiatives. Firstly, the troika management initiative initiated by previous top management was cancelled. We see here that the navigators who were very active in their problematising of previous top management were now about to reach one of their goals to get rid of the controversial troika management initiative. As a co-ordinating captain formulated it: “fortunately, the academic period is now over”. Secondly, we see that the TQM-initiative by previous management was stopped. Thirdly, instead of continuing the initiative to organise the FC as responsibility centres, this idea was cancelled and replaced by a matrix organisation principle. Now headquarters was to be directly involved in the management of operations at each route. The CEO commented on the nature of the new matrix organisation:

The idea is to have two budget holders in each production unit, e.g. the operation of route X. The local route manager must ensure that the operation functions without problems, and that the plans and the budgets are respected. The functional manager at headquarters is
responsible for strategy and budget conditions. The route manager, for example, is responsible for the budget on route X and has to co-ordinate operations with the local traffic manager. In the case of disagreements between the route managers and the functional managers, the problems must be taken to top management and each part will be asked to argue his case, and then the vice CEO and I will judge (CEO in 1997).

This did cause a controversy with a middle level manager who covertly began criticising top management for focusing on investments and the re-structuring of the FC instead of business strategy and control:

> We have a top management that has not developed a strategy. Or they have simply forgotten to announce it. As one of their first actions, the new top management stopped the TQM-project, which we were about to develop. To demonstrate independence from the government, they simply stopped the project (manager of the marketing department).

The controversy between the new top management and the marketing managers was not very visible, and later the marketing department was dismissed. The dismissal came as an opportunity when the new matrix organisation was introduced. But also the route managers expressed their dissatisfaction with the decision to launch the matrix organisation. They saw the new matrix organisation as a centralisation that split up management at route level and moved responsibility back to headquarters. In their view, local management had been reduced to simple “watchdogs”. They were also very surprised that top management did little to implement the “necessary” information system to make the new structure work:

> It is as if they expect things to happen by themselves. They have no ideas of how to make sure that the necessary information between headquarters and the routes should be designed. Nobody seems to take action. We are very dissatisfied with this (sales manager).

That top management was aware of the criticism caused by the matrix structure appears from the CEO’s attempt to produce a convincing argument about the matrix structure:

> The matrix structure is our best strategy for success. A.P. Møller (Maersk), the East Asiatic Company (ØK), and the shipbuilders are using such a matrix. If it works, it will give us enormous success. However, the crucial thing is that the organisation will unite us. The accounting system must now be made to underpin our strategy (CEO of the FC).

The new meaning constructed here was drawing on another type of discourse, namely “that matrix structures are used within the private shipping industry” – an argument, which forms a significantly different background to the initiative.

Even though our story is not about how the initiatives were constructed in further processes within the company, it also dawned on the CFO that the idea of developing new control initiatives was not popular in this context. The ensuing controversy was that the CFO worked with a consulting team to develop initiatives for the purposes of control in the FC. The consulting team pointed to the need for adjusting the information system to fit the new matrix
organisation. The situation was that new sales managers and new functional managers were hired but that they lacked information, for example, on segmented sales reports, and on efficiency and capacity utilisation. A project was suggested by the CFO in early 1997. However, the top management did not approve the project as they simply said that it was only a problem of the accounting department and not a problem of the FC as such. The CFO considered the attitude of top management as a threat:

They read the consulting report as pointing to problems within the accounting department. They very carefully said to me that they did not see a need for involving all of the new sales departments, the IT-department or other departments. But if I wanted to develop the accounting department it was fine. Hence, I saw their response as non-support. Shortly after my meetings with top management they asked me to examine the possibilities of getting new financial resources. Then everything stopped (CFO, 1997).

The CFO was really terrified by this attitude and did not understand it. Instead he engaged in the financial aspects of accounting concerning how new financial possibilities and future ownership structures could be managed.

5.5 The dissidences within the network
Whereas the controversies within the company about the new management initiatives could somehow be handled, however, the investments did cause some concerns. This is illustrated by a struggle at the beginning of 1997 between the new top management, the head of department and the Minister of Transport. As the CFO commented:

NAO wanted to write the following text in the annual report from 1996: “If the board of directors had not chosen to pursue the present strategy to develop the FC, the restructuring costs would not have been so high”. As I read the text, I think that it was the head of department who convinced NAO to add this formulation. However, top management understood that it could be regarded as a disapproval of our strategy. We saw this as an attempt to disclaim responsibility by the head of department – so if they inserted the text, we might resign! At the same time, NAO was being criticised severely by external auditors for being unqualified to audit according to the Danish Company Accounts Act. Therefore, NAO tried to avoid getting too involved in the FC (CFO of the FC).

The controversy was resolved in non-public locations, and the result was that NAO did not insert the text in the annual report from 1996. In this manner, the head of department became a dissident (Callon, 1986, p. 219) by participating in an attempt to thwart the strategy. However, NAO and the head of department had some support in their concern, which the subsequent dismissal of the chairman indicates:

The CEO and the chairman of the board were like wild animals. It was too much. It came to a confrontation in which the minister dismissed the chairman. I think the confrontation has destroyed their personal relationship. Now we have appointed a new chairman of the board, and he is supposed to keep an eye on the CEO. The previous chairman now works as a commissioner for the department. As he speaks German fluently, he is supposed to investigate the possibility of a fusion between German DFO and the FC (head of department).
The action can be seen as a confirmation of the head of department’s fear that the emerging strategy was too much in conflict with government policy and that investments might become “too heavy”. Nevertheless, the strategy was defensible to the head of department, which the following quotation illustrates:

In realizing such an enormous societal project, it does not matter whether it costs €14 million more or less. Perhaps, the FC’s new investments in routes, ferries and technology might seem somewhat exaggerated in relation to the future market demand. However, the new ferries can be sold again in case of excess capacity (head of department).

The black box created was questioned and re-opened providing a shift in strategy. By the end of 1997 the network partly collapsed because of internal disagreements very likely fuelled by the debate between NAO and other influential social democrats referred to above. However, the re-opening of the black box and the collapse of the network, the investment strategy and the changing forms of accounting never became public knowledge.

6. Conclusions

The purpose of the paper has been to theorise about the observation that accounting was implicated in the translation process of a Danish government-owned limited company under privatisation. The initial observation – that accounting in various forms and new management accounting initiatives by the CFO were stopped – raise the question of how and why accounting was being implicated in the translation of strategy.

The paper presents a story about the emergence of a new investment mode context and a restructuring of the company considered. As such, it presents a political analysis that flushes out people’s political actions inside and outside the FC and analyses these in a new way. The paper includes many minute details about tactics, how the actors’ identities are formed and changed, controversies, arguments, and dissidence that flourish in both public and non-public locations and are rarely reported in literature on accounting. As such this is a political analysis trying to explain the emergence, development and eventual outcome of controversies (Callon, 1986, p. 197).

In relation to accounting, the story demonstrates how accounting was evident in various forms, and how those forms differed at various times. In the period of 1991-1995 a context of initiating new public management reforms lead to the construction of a network that involved the central government apparatus. This involved both the Ministry of Finance and NAO implementing tight controls with resources. This period created, for instance, a responsibility accounting model, a troika management organisation, a TQM-system, and the application of investment appraisal techniques in relation to the consideration of new investments. In more overall terms, such a context of new public management and accounting had the purpose of establishing tight control of resources. As such, accounting is in this period embedded within a certain context of new public management and tight control of resources.
The paper tells the story of how this network was being undercut by politically engaged actors who defined their interests differently. This situation appeared in 1994, when the opening of the new bridges and the disappearance of the tax-free sales were approaching. The issue of how to organise the FC drew nearer, and the new government had to find solutions. The instigators of the unions and the former CEO (1986-1991) with close connections to the Social Democratic Party criticised that nothing was done in order to develop the company and give it a second future. This context paved the way for a new management, primarily characterised by entrepreneurship that was supposed to respond to the challenge of laying-off superfluous personnel and attempting to save jobs by developing new business markets.

Accounting was in these processes of translation implicated in several ways. The first was that accounting as a principle of control by the network was identified as being synonymous with government bureaucracy and a major obstacle to the development (investments) of the company. Therefore, investment appraisal techniques, responsibility accounting models, TQM, etc., were not popular at the time. Accounting in these forms was not identified as useful to the instigators and therefore not used.

Secondly, when the moment of mobilisation and the investments occurred, the financial information on the investments was used as an interessement device. NAO and the former minister of finance both began problematising the investment strategy. To disassociate these actors, NAO was denied access through parliamentary voting, and the financial information on the investments was selectively disclosed. It was feared that these entities could develop their interests further if they knew more about the investments than they actually did. This is due to accounting having the potential to create visibilities that may enable the formation of interests “between . . . entities who want to define their identities otherwise” (Callon, 1986, p. 208). Such political use of accounting is reminiscent of Callon’s example of the “towline” and the “fine netted bag” that physically disassociate the scallops “from all the actors (starfish) who threaten them” (Callon, 1986, p. 209). Like in this example, accounting, in the present context, plays a role as a political manoeuvre, related to the controversies of NAO’s access to do value-for-money-auditing. In the network, NAO was seen as an actor whose identities were defined as being different from the network. Therefore, to disassociate NAO from the FC, within the parliamentary committee of transport, it was decided by parliamentary voting that NAO should not have formal access. Such political manoeuvres related to the attempts to keep the “black box” somewhat closed. This finding is quite different from those authors within accounting applying the sociology of translation to conceptualise accounting as inscriptions (Robson, 1992; Chua, 1995; Mouritsen et al., 2001).

Out of these political actions the accounting rhetoric changed to one of “financialisation”. The new rhetoric was mainly concerned with how the company could be developed by introducing it to the stock exchange to sell
shares to the Danish citizens, and to gain new financial sources through institutional investors, etc. Therefore, they did not talk about ROI, but about IPO, shares, new investors, etc. The shift in the accounting rhetoric and the new context that emerged out of the translation process indicates that the forms of accounting changed as the context changed.

The top management also introduced a new matrix structure to change the company. As a response to the critique of the middle managers, the CFO began developing new accounting techniques with the aim of facilitating control purposes. The CFO had difficulties in “interpreting” the emerging context of accounting. This appeared from the episode when he made attempts to introduce these new accounting initiatives to top management. It appeared that the initiatives were not popular and through the controversies with top management he came to see his own interest as one of examining new financial opportunities, preparing the introduction to the stock exchange and to keep control of the financial resources used for the investments, etc.

These political actions illustrate how accounting during the translation process changed its characteristics and uses from principles of control to principles of financialisation. Such emergent forms of accounting reflect the political manoeuvring in the organisation as the result of the network relationships. The outcome of the controversies that involved accounting creates a view of accounting as an effect of associations. It is embedded in networks of interests as strong as the associations of entities forming the dominant network. This finding is quite consistent with the findings of Mouritsen et al. (2001). It means that accounting, and where and when it is, may continuously change and must therefore be understood in the description of the associations by which it is shaped. These associations are not entirely internal but may also involve entities outside the company. This is perhaps most likely to happen in the construction of new contexts with the development of new management initiatives as the outcome. The political uses of accounting in relation to the development of strategy may also help to broaden the focuses within literature on accounting change (Burns and Scapens, 2000; Granlund, 2001). In this literature there is a preoccupation with the instances of resistance to change (Granlund, 2001), how accounting technologies like ABC are implemented (Soin et al., 2002), how a non-financial management accounting change happens (Vaivio, 1999), etc. These studies tend to explain the change processes as introducing accounting technologies as normative mechanisms. However, our study provides a study of quite another instance in which normative calls for accounting technologies (such as NPM) are contested and changed into other accounting forms. Nevertheless, the study of Preston et al. (1992), like ours, point to the importance of studying the context in which accounting is embedded. To understand accounting change involves both the politics of the emerging context of management initiatives and the further
implementation processes within this context. It is our suggestion that the sociology of translation can be a promising explication of accounting change. Finally, whereas writers such as (Lowe, 2000; Hopwood, 1992; Miller and O’Leary, 1993; Preston et al., 1992) found accounting techniques “as central to the constitution of our organisations” (Lowe, 2000, p. 110), our study gives a mixed view on the centrality of accounting. Indeed our study demonstrates that accounting played a significant role in the emergence of the new strategy. On the other hand, accounting as a principle of control was identified as an obstacle to strategy by the instigators and endowed with meanings of being bureaucratic and creating an inability to act and develop. Symbolic actions to “get rid” of accounting as principles of control were made. In this way these came to contest the government apparatus of the Ministry of Finance and NAO working to implement the control elements of the NPM. It is quite surprising how accounting in such forms was identified as being undesired, showing us that there are exceptions to the centrality of accounting. However, the story also shows that it was only in a very short period of time these actions took place. After the collapse of the network in 1997, a new strategy of tight control of resources was initiated. The intensity of the contest, the mobilisation of accounting as principles of financialisation, the political uses, and the subsequent introduction of new control principles after the collapse of the network may in the end confirm our view that accounting is in fact often central in the transformation of organisational institutions.

References


