



A structuration analysis of accounting systems and systems of accountability in the privatised gas industry

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Abstract

This study investigates the consequences of regulation for management control and organisational change in privatised industries by means of a case study of the gas industry. It focuses particularly on the implications for regulation of accounting systems and systems of accountability, as important management control systems. Giddens' [Central Problems in Social Theory: Action, Structure and Contradiction in Social Analysis, 1979; The Constitution of Society, 1984] structuration theory is adopted as an analytical framework for the study, due to its demonstrated capacity to take into account the interaction of agency and social structures in the production, reproduction and regulation of social order, together with its potential for an analysis of organisational change. This study contributes to the body of knowledge on the impact of regulation on privatised industries by providing a contextual analysis of management control and organisational change in the gas industry, and also by providing a critique of the change which has taken place.

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1. Introduction

This paper reports and analyses the findings of a case study of accounting systems and systems of accountability, important management control systems, in the British gas industry during the period 1986–1998. These developments arose in the context of broader organisational changes resulting from the transformation of the nationalised British Gas

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Corporation (BGC) into the privatised and regulated utility, British Gas (BG). Giddens' (1979, 1984) structuration theory is identified as valuable for this study, given its rejection of the subjectivist–objectivist dualism which characterises the methodological debate, and its emphasis on ‘... both the meaningful actions of individual agents and the structural features of social contexts’ (Held and Thompson, 1989, p. 3) in understanding the production, reproduction and regulation of social order. It is also demonstrated to have the potential for an analysis of organisational change, as it emphasises the importance of conflict, contradiction and unintended consequences in effecting change. Central to the paper is an examination of the way in which accounting and accountability systems can be understood in terms of the interaction of structures of signification, legitimation and domination.

A case study method was selected for this research. Discussions with a broad range of senior management, targeted at individuals who had been with the company since pre-privatisation days, provided a rich source of valuable information to address the research questions of this study¹. The broad spectrum of interviewees, including some individuals ‘on the other side of the fence’ from BG management, such as competitors and staff from the office of the regulator, coupled with a wide range of documentary sources, lends weight to the validity of the findings. Interview material was supplemented with desk research, including review of regulatory reports, financial statements, company documents and media coverage, as well as a review of the academic literature relating to privatisation and regulation.

Before proceeding to the empirical analysis, the paper provides an overview of the main aspects of structuration theory relevant to this study, and demonstrates its suitability as a sensitising framework (Macintosh and Scapens, 1991) for an analysis of management control and organisational change in the gas industry over the 10-year period following privatisation. The paper tells the story of two major and radical transformations of a social system—BG. It does this by illuminating the main structures of signification, legitimation and domination underlying the processes of change in accounting systems and systems of accountability, important management control systems, as BG was transformed from a public utility to a still monopolistic privatised industry and finally to part of a competitive industry. Case study evidence provides the basis for an examination of the processes of change which led to the emergence of each new stage of development, with particular reference to the role of conflict and crisis in effecting change, given that the second transformation was not foreseen at the time of the first. The first empirical section examines the key public service structures which characterised the nationalised gas industry and considers the control problems which led to radical change in the form of privatisation, particularly highlighting the serious accountability problems which led to a questioning of both the organisation's and Government's legitimacy. The second empirical section discusses the introduction of a commercial orientation, with its new focus on profitability and shareholder value.

¹ Twenty-eight tape-recorded interviews were carried out over a 6-month period, including 18 with senior management of BG in the fields of Finance, Regulatory Affairs and Personnel. Additionally, interviews were held with two individuals from OFGAS, two from the MMC, three new competitors in the industry, one consultant (former City Analyst in Oil and Gas) and two academics with a particular interest in regulation of privatised industries.

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