



# Sustainability, institutionalization and the duality of structure: Contradiction and unintended consequences in the political context of an Australian water business

David R.J. Moore

College of Business, Accounting, Victoria University, Footscray Park Campus, Po Box 14428, Melbourne, Victoria, 8001, Australia

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## ABSTRACT

This paper presents the results of a longitudinal case study of an Australian public sector water business in order to examine how, and to what extent, did the institutionalization and deinstitutionalization of internal sustainable and environmental management routines, practices and procedures occur over the period 2001 to the start of 2011. It adopts the Dillard et al. framework of institutionalization which incorporates institutional theory, Weber's axes of tension and structuration theory. In 2001, the criteria for costing and financial reporting practices and the criteria for environmental regulation and management practices were competing at the economic and political economic level, the organizational field level and the organizational level. An unintended consequence of this was no accounting for environmental costs. Environmental management criteria and practices were characterized by compliance with EPA regulatory requirements whilst financial management and costing criteria and practices were characterized by New Public Management criteria. Subsequent to 2001, an unintended consequence of the establishment of separate legislative and regulatory bodies has been the institutionalization of competing legitimating criteria with regard to water conservation, externalities, environmental regulation and financial reporting and costing. Within this context, the organizational field and the organizational level of the individual water business has been characterized by the development of new organizational practices and routines with regard to water conservation as well as unintended consequences and decoupling. At all three levels, the ontological security of agents has been evident in the development of new criteria and practices for sustainable development, whilst the routine procedures of the respective management systems were a source of ontological security to the relevant agents.

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## 1. Introduction

Sustainability accounting research has been characterized by corporate disclosure studies and deductive theorizing, with a resulting absence of inductive theorizing from field research (Adams, 2002; Gray, 2002a; Parker, 2005, 2011; Owen, 2008; Qian et al., 2011; Spence et al., 2010; Thomson, 2007). An outcome of this is that the role

of management accounting with regards to sustainable development is under researched, such as the interface and interaction between both the environmental management system (EMS) and management accounting (Parker, 2005), and sustainability and management control systems (Gond et al., 2012). Related to this, it is argued that environmental management accounting is important because it can overcome the limitations of conventional accounting (Qian et al., 2011) and therefore provide a basis to improve decision-making (Burrill and Schaltegger, 2010). Within the public sector, which accounts for 40% of economic

E-mail address: [Davidr.Moore@vu.edu.au](mailto:Davidr.Moore@vu.edu.au)

activity (Ball and Grubnic, 2007), sustainability accounting research has been overlooked (Owen, 2008; Qian et al., 2011), whilst further research is necessary in order to understand the reasons behind the adoption of management control systems (Barretta and Busco, 2011).

In order to address this gap, this paper presents the results from a longitudinal case study of an Australian state<sup>1</sup> public sector water business over the period 2001–2011, to examine the central research question of how, and to what extent, did the institutionalization and deinstitutionalization of internal sustainable and environmental management routines, practices and procedures occur within its social context. UN-Water and the United Nations Secretary-General's Advisory Board on Water and Sanitation have recognized that water managers need to be a part of the sustainable development dialogue and movement which will require the explicit integration of water issues into policy frameworks and effective institutional arrangements (UN, 2010). The significance of the role of accounting in the management of water has been highlighted by the extensive research into the privatization of water businesses within the United Kingdom and the associated management systems (Ogden and Clarke, 2005; Ogden and Watson, 2007; Schaefer, 2007), whilst within Australia, the development of the water accounting standard-setting process has been deemed necessary because of a crisis period of water scarcity and issues of water management (Chalmers et al., 2012). Broadbent and Guthrie (2008) argue that as global warming affects climate and water availability, regulated and privatized utilities such as water will come under intensified control and greater government intervention.

Given the need for a theoretical framework to inform the development of public sector sustainability accounting (Ball and Grubnic, 2007), this paper adopts the Dillard et al. (2004) framework,<sup>2</sup> which incorporates institutional and structuration theories for the purpose of understanding the institutions, practices and processes of change associated with sustainable development within a water business over the period 2001–2011. The paper is structured as follows. Section 2 provides an overview of the theoretical framework. Section 3 outlines the case study and research method. Section 4 analyses the results from the case study in 2001 whilst Section 5 analyses the results subsequent to 2001 in the period leading up to and including 2011. Section 6 provides a discussion and concluding comments.

## 2. The Dillard framework of organizational change

The Dillard framework needs to be considered in the context of the overall development of theoretical frameworks for sustainability accounting.

<sup>1</sup> Australia comprises six states: 1. Queensland; 2. New South Wales; 3. Victoria; 4. Tasmania; 5. South Australia; and 6. Western Australia; and two territories: 1. Australian Capital Territory; and 2. Northern Territory.

<sup>2</sup> Hereafter, this is referred to as the Dillard framework.

### 2.1. Sustainability accounting research

Sustainability and public sector accounting can be characterized by structural constraints such as conflict, contradiction and unexpected (unintended) consequences, whilst the public sector specifically is characterized by its political context (Ball and Grubnic, 2007; Gray, 2010; Kurunmaki et al., 2003; Modell, 2012; Parker, 2011). The research to date has witnessed a range of theoretical perspectives that can be classified as systems theories, social accounting theories inside the organization and the heartland group of theories<sup>3</sup> (Adams, 2002; Bebbington and Thomson, 2007; Gray et al., 2010; Parker, 2005). Spence et al. observed a resulting micro/macro distinction<sup>4</sup> with the result that how these theories “shape the construction of knowledge” follow their own laws of development (Spence et al., 2010, p. 83). In summary, sustainability accounting research is undertheorized with a resulting need for a meta theory (Gray, 2002a, b).

The Dillard framework is appropriate because sustainability accounting research is confronted with complex political and economic contexts (Adams and Whelan, 2009), the term ‘sustainability’ is contestable and can be characterized by conflict and contradiction (Gray, 2010), and is therefore “insufficiently understood” (Burritt and Schaltegger, 2010, p. 831). Whilst Spence et al. (2010) argue that corporate self-interest drives sustainability reporting, the Dillard framework incorporates structuration theory, whose emphasis upon the ontological security of the individual agent is of relevance to the public sector given that it has a social value purpose and its employees may have more ethical motivations (Ball and Grubnic, 2007). In summary, the Dillard framework sensitizes the researcher to the interrelationship of competing criteria and therefore virtual structures which separately bind sustainability and cost management routines and practices into their respective systems.

### 2.2. The Dillard framework

The Dillard framework incorporates institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) with Weber's axes of tension and structuration theory (Giddens, 1979, 1984; Macintosh and Scapens, 1990, 1991; Roberts and Scapens, 1985), in part because of the perceived limitations<sup>5</sup> of institutional theory. These include the role

<sup>3</sup> Systems theories include stakeholder theory, legitimacy theory and institutional theory, social accounting theories inside the organization include structuration theory, whilst the heartland group of theories include political economy accounting and the deep green ecological perspective (Adams, 2002; Bebbington and Thomson, 2007; Gray et al., 2010; Parker, 2005).

<sup>4</sup> Spence et al. observed that “the concern of Marxist Political Economy is with the system-level conflicts” whilst “legitimacy and stakeholder theories look at the micro level of firm-stakeholder relations” (Spence et al., 2010, p. 83).

<sup>5</sup> Bebbington et al. (2009) observe that institutional theory downplays managerial agency whilst Cruz et al. (2009) explain that neo institutionalists have been criticized for failing to study the processes whereby institutions are created, transposed and decomposed and for neglecting power and agency at the organizational level.

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