

THE ACCOUNTANT'S CRAFT IN THE NEW PUBLIC SECTOR

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ABSTRACT

The public sectors of many advanced economies have experienced significant changes to their organisation, financing and management and to the basis upon which they are held accountable. The major focus of many of these changes has been the transformation of the public sector through initiatives which impact at the organisational level. This study explores the implications of these changes for management accountants within the New Public Sector by examining the views and experiences of an elite group of public sector accountants.

INTRODUCTION

The role of accounting in the New Public Sector has attracted considerable interest (see, for example, Olson, Guthrie and Humphrey, 1998). Critics and proponents of accounting have made numerous studies of the aims, the claims and the impacts of accounting initiatives within the public sector (Lapsley, 1998). In this paper, the craft of the management accountant in this rapidly changing environment is explored. Attention is given to the role that accountants occupy within the public sector organisation, and the competencies and skills which they have to possess. The views of members of an expert group were sought regarding the past and future position of the public sector organisation and the accountant within it. Seeking the opinions of expert groups is an underutilised research method in management and accounting (Jönsson, 1996; Pettigrew, 1992), and provides an interesting perspective on this issue. Through their diverse interests and experiences within the public sector, the group was able to provide a highly informed insight into the present and prospective position of the public sector accountant.

The complexity of the topic addressed in this paper required careful consideration of the study settings, the wider influences operating on public sector organisations and the changing nature of the role of management accountants both throughout the public and not-for-profit sectors, and within the private sectors, of advanced economies. While there have been numerous studies of public sector accounting initiatives, these have tended to focus on the impact of such accounting changes, rather than exploring the skills and competencies required by public sector accountants in the New Public Sector. This paper addresses these issues in five parts: an examination of the context of public sector changes; a discussion of possible models for accounting in new style public sector organisations; the method of investigation; key findings; the conclusion and discussion of directions for future research.

THE CONTEXT OF PUBLIC SECTOR CHANGES

The locus of the examination of the role of public sector accountants in this paper is that of the organisation. Accounting has often been presented from an organisational viewpoint. This traditional perspective has been criticised by Puxty (1993), who is concerned by the manner in which the organisation's interests dominate those of the individuals comprising the organisation, and by the tendency for the organisation to be treated as a 'closed system' in a way that ignores both interaction among the various elements of the organisation and the existence of the environment. However, in the public sector context, the importance of the organisation as the setting in which to explore the role of accountants is underlined by the impact of public sector reforms: public sector management is the critical instrument by which the transformation of the public sector has been sought by reforming governments. The modification of financial reporting mechanisms, in this situation, is of importance insofar as they shape the views and actions of managers in setting priorities. This recognises that accounting is not just a technical measurement discipline but is also a social process with social consequences, with public sector management as a key driving force for change (Pallot, 1999).

The public sectors of many advanced economies have been the subject of a sustained set of reforms. These reforms have two distinct strands: (1) an internal focus and (2) structural changes. These strands combine

to create compelling pressures (a 'field of forces') to bring to life, to create the conditions for, the 'new managerialism' prevalent in the public sector. As Clarke and Newman (1997, p.30) characterise it:

The vertical axis aligns agencies as delegated authorities between the centralised power of the nation state and the 'consumer power' of the periphery, while subjecting them to more rigorous financial and performance evaluation. The horizontal axis characteristically positions them in a nexus of marketised or quasi-competitive relationships. Within this field of forces agencies are typically given the 'freedom to manage'.

On strand (1), the internal focus, there have been moves to modernise management systems, devolve budgets and link resource allocation (and rewards to managers) to performances. On strand (2), there have been significant structural changes, such as the introduction of quasi-markets and a major centralisation of aspects of public sector evaluation and accountability. Within these reforms, there have been many high profile changes, such as the introduction of the internal market in health care. All of these changes have major implications for accountants in public sector organisations. They have led to a switch from an administrative focus (meeting cash limits, balancing the books at the year end) to a management focus (costing alternative courses of action, costing activities for cost recovery or pricing, implementing budgetary mechanisms to empower professionals at the operational level of public service organisations); they have also increased pressure for structural reforms (to provide a context for the effective operation of public sector management) and for changes in management practices.

These twin, contrasting pressures have their nexus at the institutional level. The major impact of these different kinds of reforms has been on the institution as a vehicle for change. Indeed, as Seddon (1997, p.181) expresses it:

The great insight that Thatcherism took from the economic discourse was the value of targeting reform at institutional level. This recognises that social action is constituted in, as well as constrained by, distinctive practices of organising...these practices are manipulable.

Within these pressures for change, this enhanced role of accounting as a management tool has undergone serious examination. Humphrey, Miller and Scapens (1993) documented the centrality of accounting in the reform of the UK public sector. However, a recent study by Olson et al. (1998) suggests that accounting impacts vary across different countries for a variety of reasons (the nature of the reforms, cultural factors, varying intensities of pressures for reform). Within specific sectors, the influence of accounting may also vary. For example, for organisations in health care, Brunsson, Lapsley and Miller (1998) identify four strands to the impacts, actual or potential, of the emphasis on management and management accounting in the public sector. These are characterised as a new visibility, an enabling role, an accounting impasse, and as deleterious and irreversible. These impacts, actual or potential, offer conflicting explanations of the influence of accounting within public sector organisations.

Brunsson et al. (1998) drew attention to the increased visibility of accounting information. This, in itself, may prove to be of limited importance. However, in combination with other factors (the potential to influence change, the difficulties of rendering new accounting technologies operational for management in the public sector, the sense that accounting information merely makes ever more explicit to management the limits of funding constraints), accounting information may assume a variety of roles. These dimensions confirm the complexity of disentangling the ramifications of management accounting practice within public sector organisations. In this paper, it is suggested that this complexity points to the need to revisit the organisation – what it is and what constitutes these entities – to explore the present and future practice of accounting.

ACCOUNTING IN NEW PUBLIC SECTOR ORGANISATIONS

The above analysis has pointed to the institution as the setting which best yields insights into the impacts of accounting in public sector organisations. The institution is the focal point for the many pressures to change the everyday activities of the public sector accountant; operating through the greater emphasis on management accounting. However, it is recognised that management accounting itself is undergoing significant change. The traditional view that management accountants do not

have anything to offer marketing (Bridges, 1971) has been challenged by more recent research (Ratnatunga, Pike and Hooley, 1989), while a strong vein of literature supports the broadening of the management accountant's role to be more commercially aware and entrepreneurial, both in the private sector (Burns, Scapens and Turley, 1996; Anastas, 1997) and the public sector (Lapsley and Pallot, 2000a). There is a well developed set of arguments on the need for a strategic element to the role of the management accountant in the private sector (Bromwich, 1990; Evans and Ashworth, 1996) and in the public sector (Lapsley and Pettigrew, 1994; Groves, Pendlebury and Stiles, 1997). There is also the issue of the extension of accounting information to embrace non-financial information to overcome short termism (Johnson and Kaplan, 1991). Management accountant involvement in the processes of management generally has been advocated (Cooper, 1996a; Cooper, 1996b), utilising skills in non-financial matters, including, specifically, human resources (Philips and Ross, 1996) and extending and improving communication and interpersonal skills (Anastas, 1997).

The outcome of such developments should be a shift away from the traditional focus on manipulating results and controlling people, towards the openness that builds relationships (Johnson, 1995). While recognising the need for the continuation of the control function, Innes and Sweeting (1999) point to the increasingly important role of management accountants in acting as consultants or facilitators for managers. The relevance of such 'softer' forms of communication and learning has been seen as particularly pertinent to the ambiguous situations typically found in public sector organisations (Baumard, 1999). However, there remain influential figures within the world of accounting who see the future of accounting lying in the wider adoption of innovations in accounting techniques, such as activity-based costing and the balanced scorecard (Kaplan, 1995). These matters are addressed in this study of the views of an elite group of public sector accountants.

In this analysis, the conventional investigation of public sector management practices, which tends to follow the sectoral differences of, for example, health services, local and central government, utilities and quasi-autonomous non-governmental organisations, is not followed. Instead, the perspective of exploring the institutional setting from a range of different concepts of what constitutes public sector organisations is adopted. These different mappings of what public sector

organisations are, or are becoming, have important implications for the role of the accountant. This paper explores likely developments in public sector organisations in the context of Ferlie, Pettigrew, Ashburner and Fitzgerald's (1996) typology of such New Public Management (NPM) organisations: NPM Model 1 *The Efficiency Drive Machine*; NPM Model 2 *Downsizing and Decentralization*; NPM Model 3 *In Search of Excellence*; and NPM Model 4 *Public Service Orientation* (see **Table 1**). This typology is adopted as a skeletal framework for the investigation of the competencies of public sector accountants now, and in the future. The Ferlie et al. typology is not presented as definitive, but rather as a set of working definitions which facilitate the investigation of what management accountants are, or will become in the new public sector.

According to Ferlie et al. (1996), Model 1 was the earliest organisation form, and was dominant during the early and mid 1980s. It represents the emphasis on efficiency and value for money within public sector organisations during this period. Model 2 was less visible during the 1980s, but is of increasing importance now. It represents the introduction into the public sector of some private sector principles such as market mechanisms, contracting-out, and the dismantling of hierarchical organisations. Model 3 represents the application to the public sector of the principles put forward by experts on organisation such as Peters and Waterman (1982), with particular emphasis on the importance of organisational culture. Ferlie et al. describe Model 4 as being the least well developed of the models. It emphasises the use within the public sector of a combination of private and public sector management ideas with a particular stress on service quality and the rights and concerns of the user. This particular model resonates with ideas in vogue at present, such as best value (DETR, 1998).

A brief summary of the Ferlie et al. (1996) four models of the public sector organisation can be seen in **Table 1**. This particular typology is of relevance to the present study because of the manner in which it draws on extensive research across the public sector¹ to form these different configurations of public service organisations. *Prima facie*, there may appear to be overlaps between these models. There are, nevertheless, sufficiently different characteristics of these models to merit depicting them as distinct mappings of organisational types. Ferlie et al. have made some attempt to suggest the incidence, or relative importance, of these organisational types in the past and in the future. However, there must be the

possibility of the evolution of further organisational forms – perhaps by some fusion of two or more of the models in the Ferlie et al. typology. Therefore, these models are not taken as definitive. Instead, the typology as presented by Ferlie et al. is adopted as a sufficiently robust categorisation for purposes of the present study – as a basis for exploring with practising accountants the past and the likely future role for the accountant's craft in the New Public Sector.

Table 1: A Typology of Public Sector Organisations

<u>Model 1: The Efficiency Drive Machine</u>	<u>Model 2: Downsizing and Decentralizing</u>
<ul style="list-style-type: none"> • More visible finance • Management strong • Customer focus • Power from professionals to managers • New corporate governance 	<ul style="list-style-type: none"> • Management by contract • Small strategic core • 'Quasi' markets • Delaying and downsizing • Flexible, not standardised services
<u>Model 3: The Excellence Model</u>	<u>Model 4: Public Service Orientation</u>
<ul style="list-style-type: none"> • <i>Organisational culture</i> • Learning organisation • Corporate symbols • Programmes to manage culture • Projection of vision to lower levels 	<ul style="list-style-type: none"> • Public accountability • Citizen important • Elected bodies • Management of politics as collective • Private sector ideas adopted, not imposed

Source: (Abbreviated version) from E. Ferlie et al., *The New Public Management in Action*, Oxford, 1996.

Lapsley and Oldfield (2000) have suggested that the above typology of public sector organisations has important implications for accountants operating within public sector organisations. In their view, this represents a future which involves both continuity and change. Thus, continuity is likely to come from the continuing centrality of the budget in the life of public sector organisations and the likely, continuing pres-

sure on cost containment. However, these models also suggest change: the increased emphasis of the management (as opposed to the administration) of public sector organisations has implications for accountants, and a wider range of skills may be necessary; the downsizing of organisations may reduce the accountant's role with more non-accountants expected to develop financial skills; the pursuit of excellence (Model 3) may challenge the relevance of traditional accounting techniques and pose questions over which accounting practices are best suited to this organisation's circumstances; and, finally, while the Public Service Orientation model (Model 4) may herald the return to traditional values, it may also require other skills as, for example, citizens are also regarded as customers of public service organisations. Both Models 3 and 4 might be expected to make demands on management accountants to extend their management skills beyond the traditional scorekeeping, attention-directing and problem-solving roles (Simon, Guetzkow, Kozmetsky and Tyndall, 1954). These issues are taken up below, but first the research method used in this investigation is discussed.

RESEARCH METHOD

The issue of the meaning attributed to the practice of accounting in public services is approached by focusing on the views of an elite group to determine their views on the competencies of accountants, in the past and in the future. This perspective is based on the view that studying elites (after Pettigrew, 1992) as cohorts can illuminate the meaning of practice. This specific elite group consists of public sector accountants. They are members of a committee for the professional accounting bodies, which has the role of reviewing and commenting on developments in public sector accounting practice. The focus of this study is not on the activities of this committee. Instead, the expertise within this group is drawn on to explore their views on the present and future competencies of public sector accountants. The study draws on the experiences of the members of this group in their professional lives. As noted above, the members of the committee also practice accounting in the New Public Sector. As leading edge practitioners of public sector accounting, they represent a significant grouping of expertise. These key actors present an avenue for the investigation of accounting in practice. This approach recognises the agency effects of key actors (Giddens, 1984) who can significantly influence events by their interpretation of what

constitutes best practice. The potential for multiple interpretations of key facets of public sector accounting may arise from ambiguities. In addition, the difficulties of accessing robust data, and the quality of this evidence, accentuates the likelihood of these agency effects. This underlines the potential from the selection of an elite, such as this expert group, to explore public sector accounting in practice.

There is some ambiguity as to what constitutes an 'elite'. For the purpose of this study, we have taken the following definition from Hewitt (in Stanworth and Giddens, 1974, p.45):

Social elites are those who control the non-political organisations that either embody sectional interests like 'business', 'labour', 'the professions' or represent attitudes and opinions.

There are, nevertheless, difficulties associated with drawing the line between 'elites' and 'non-elites' (Giddens in Stanworth and Giddens, 1974, p.4). The members of the committee involved in this study were drawn from a large pool, or 'recruitment stratum' (p.13), of accountants working within the public sector. As a result of being picked from this pool, the members of the committee can be seen as leading figures in UK public sector accounting. Giddens (p. 3) argues that 'the term elite can apply to those who "lead" in any social category or social activity.'

This research method of focusing on elite groups has long been recognised as a challenging method of obtaining data in the social sciences (Dexter, 1970). Research for this paper was conducted in a two-stage process in 1999/2000. At stage one, the researchers met with a focus group of experts involved in the public sector who are employed by a major professional accounting firm. These experts had current and previous experience in the public sector. The discussions were part of a series of open-ended briefings on current practices in public sector accounting. These focused on the manner in which they observed accounting changing, and the wider changes to the environment in which public sector organisations were currently operating and were likely to operate in the future. The exercise was conducted over one day. Major findings on the accounting practices in which these professionals engaged in changing the public sector (the implementation of new IT and management information systems, business process re-engineering, designing performance measurement systems) confirmed

the focus of this study on public sector management and management accounting. It helped to inform the questioning of experts at stage two of the project, but the data collected at this initial stage was not designed for comparison with the views of the expert group. It was a device to inform thinking.

At stage two, the views of the expert group, 13 members of a national committee of public sector accountants², were obtained. All of the members of this group held senior positions within their organisation with responsibility for the finance function. The following procedure was used:

1. Initial discussions with committee members took place
2. Members of the committee were then sent a set of questions (copy available from the authors)
3. On receipt of the responses to (2), clarification on the individual responses was sought from each member of the committee
4. Finally, one meeting was held with all of the members of the group to discuss a summary of the findings of the discussions with individual members, and to seek validation of the results and conclusions drawn.

This research method draws on the experiences of Lapsley and Llewellyn (1995) in which it was noted that interviews with specialists may benefit from the presentation of facts or figures from their world which may promote an open discussion of the interviewee's perspective. In this case, versions of the Ferlie et al. models (see **Table 1**) are used as devices to examine changes in the public sector from the group member's perspective and to pursue these in relation to likely impacts in accounting competencies and practices. This is using the Ferlie et al. typology as a skeletal framework to form a basis for discussion.

By asking specific questions of the members of this committee to elicit their views on the practice of public sector accounting, it was considered that these accountants would be less restrained than they might be in their own institutional setting and that greater depth in their answers would be obtained than from a conventional survey, given the sensitive nature of the subject matter. This study is not representational; it does not portray its findings as being representative of all accountants in the public sector. However, it does convey an analysis of the views of an

expert group of significant players in the field of public sector accounting, which should inform the debate on the future of that field. As the Ferlie et al. typology was written in 1996, it predates the current government's modernisation strategy. This issue was addressed by affording members of the group an opportunity to express their views on the modernising agenda of the current UK government (Cabinet Office, 1999) in their discussion of the future.

KEY FINDINGS

The findings of the deliberations with the expert group are examined in four parts, which delineate the accounting craft in the new public sector as contingent upon the wider context of the public sector, the activities of public sector accountants, their core competencies and, finally, the practices which they deploy. These four parts are as follows:

- A discussion of their views on past and prospective changes in the public sector, to determine their perceptions of the context in which public sector accountants worked in the past and in which they are likely to work in the future
- An examination of their views on the role of accountants in the public sector in the past, and in the future
- A discussion of their views on the core competencies ('the craft') of public sector accountants, in the past and in the future
- An examination of the kinds of practices, particularly accounting practices, which would shape the role and contribution of the public sector accountants of the future.

For the first part, the Ferlie et al. four models were used as a framework. For the other three parts, the literature discussed above on the changing role and competencies of management accountants to identify different roles and possible competencies was used. Overall, the findings from the expert group confirm the pace of the structural change in the public sector, and point to significant differences in the competencies of the public sector accountants of the future.

Public Sector Changes

As noted above, this issue was explored by seeking an answer to the question of which of the Ferlie et al. models most accurately reflects the public sector organisational form of the past, and which is most likely to dominate in the future. **Table 2** shows the number of the group who favoured each option. As is evident, several members of the group indicated their choice of more than one model for the past, or the future, or both. The fact that there are responses recorded for all four of the models, in both the past and the future, indicates that there is no absolute consensus among the group as to which organisational form dominated the public sector in the past, and which will do so in the future. Given the complexity of the public sector, and the variety of roles held by the respondents, this is not necessarily surprising. Of particular interest, however, are the trends in thinking apparent from the data, of which there are several, notably the convergence on what the past represented and the dichotomy between the past and the future.

Table 2: Public Sector Changes

Models of the New Public Management Organisation	Past	Future
Model 1: The Efficiency Drive Overall focus on efficiency gains, VFM, accounting control, management more powerful.	5	2
Model 2: Downsizing and Decentralization Smaller organisations, fewer layers of bureaucracy, new styles of management.	5	2
Model 3: In Search of Excellence Importance of organisational culture, learning organisation, new culture of excellence extending to all levels of organisation.	1	5
Model 4: Public Service Orientation Public accountability, importance of citizen, quality conscious based on societal need, receptive to private sector ideas, but these are not imposed.	5	7

Firstly, it can be seen that Model 4 (Public Service Orientation) is the organisational form most frequently identified with by the expert group. Seven of the group believe that this will be the dominant model in the public and not-for-profit sectors in the future. Five of the group saw Model 4 as having dominated in the past. One member of the group saw it dominating in both the past and the future, and the reasoning for this is as follows:

whilst efficiency gains, downsizing and excellence are all features of local government, the ethos of public service provision is at the heart of local government. (Member Three)

The Efficiency Drive (Model 1) was seen as the dominant model in the past by five members of the group. They confirm the beliefs of Ferlie et al. (1996, p. 10) who said that Model 1 was 'the earliest model to emerge, dominant throughout the early and mid-1980s, but now coming under increasing challenge.' One of these experts concisely sums this up:

I would say that in the early 80s, Model 1 was the dominant form as public authorities took up the challenges/requirement of the Thatcher government to root out waste and inefficiency and pursue VFM savings. In the late 80s and early 90s, this was followed by Model 2 as authorities sought to create new structures on a devolved basis, introducing new managerial cultures. More recently, we have seen a move to Model 4 with a greater focus on the citizen and the user of services. (Member Six)

In this connection, it is notable that Ferlie et al. (1996, p. 11) state that Model 1:

represented an attempt to make the public sector more business-like, led by crude notions of efficiency... To its critics, it reflected an inappropriate and imported model of private sector management which took no account of the distinctive properties of public sector organisations.

This description is confirmed by Member Twelve, who refers to one of these 'crude notions of efficiency' by saying:

In the health service, there was an emphasis on having to make a six per cent return on assets, which is a bizarre way to assess a health service, which is why I say the efficiency machine was dominant.

It is interesting to note that the two experts who thought that Model 2 would be the dominant organisational form in the future are both involved heavily in the not-for-profit sector, as opposed to the public sector. One of them (Member Ten) explained this by saying that he thought consolidation was the only way forward for the highly fragmented not-for-profit sector:

There are too many organisations to survive and rationalisation would do a lot of good... Many organisations should be able to merge without losing their key objectives. That rationalisation process could create organisations which through organisational learning would lead them to excellence.

This was supported by the other not-for-profit sector expert member, who said:

Regarding the voluntary sector, I believe there will be a further period of development, carrying out more services and business operations. This will be followed by a period of consolidation which could see some mergers, hiving off of some service provision and fundraising businesses, partly supported by private enterprise/PFI and leaving more traditional charity organisations. (Member Five)

Only one member of the group thought that Model 3 belonged in the past, and, interestingly, this was an auditor in a private sector firm. Five members thought that Model 3 would characterise the future. Member Nine expressed the view that Model 3 was closest to the “modernising agenda” of the current government. However, while two others emphasised that this is what should happen, there was no definite guarantee that it would. This belief is illustrated by the following quotes:

For the future, I should like to think that a mix of (3) and (4), perhaps with elements of (1), is what we should be aiming for! (Member Two)

It is all about the quality of the management at the top. If they develop a "can do" culture, and if they can find a way of working with the politicians, and they respect them. It is fundamentally about the ability of people in local government. I expect that they can only aspire to Model 3 if they can attract the right people. They need some very special people, not private sector people, but they must have the skills to make the relevant changes. (Member Ten)

It should be noted that although Ferlie et al. (1996) identify trends in the NPM and were subsequently able to put forward the four models, they do also say that (p. 10):

Sometimes the new public management seems like an empty canvas: you can paint on it whatever you like. There is no clear or agreed definition of what the new public management actually is and not only is there controversy about what it is, or what it is in the process of becoming, but also what ought to be.

This was confirmed by several of the experts interviewed who could not easily match their views to any of the four NPM models, and instead put forward their own versions of the past:

For me, none of the above characterises the past model, which tended to be legislation, rule and precedent-based. Organisations tended to be inward-looking rather than outward-looking, and rather looked askance at the idea that they existed to provide services to individuals. (Member One)

Cost improvements (not value for money!), staff numbers game, mimic private sector without understanding the drivers, smaller organisations but maintenance of same hierarchical structures, increasing political input and reluctance to take risk. (Member Four)

The past decade has also seen a big emphasis on corporate governance and accountability. Within the public sector the introduction of compulsory market testing and the creation of discrete business units within internal markets has been associated with a more commercial style of management than perhaps was the case previously. The adoption of codes of conduct similar to those introduced in the private sector under Cadbury was a response to this change of culture... Public sector entities have become more open in their affairs as part of their efforts to demonstrate accountability and good governance to their stakeholders. (Member Eight)

It is apparent that there is no clear consensus as to which model represented the dominant organisational form of the past, and which is likely to dominate in the future. However, there are obvious trends in the opinions of this expert group, with the shift away from the efficiency machine and the down-sizing of organisations to the 'excellence' model, with a continuing importance for the public sector orientation, which a significant cluster within the group see as never having left the scene. Lapsley and Oldfield (2000) anticipated that the dominance of Model 4, the Public Service Orientation, would lead to a return to the traditional role for accountants, with the budget as the central accounting mechanism and the need for stewardship and regularity accounting. This did not preclude the possibility of developing roles with the addition of private sector practices and public-private partnerships. While Model 4 presents the possibility of continuity of role, Lapsley and Oldfield saw Model 3 as posing a fundamental challenge to the role of accounting and accountants. There would still be a need for regularity, but the focus on culture and excellence would lessen the significance of accounting and accountants. Against this background, the views of the expert group on the likely roles, competencies and practices of accountants in public sector organisations in the future are examined.

The Role of the Accountant in the Public and Not-for-Profit Sectors

To examine this issue, the views of the group were sought on which of the following roles reflect, most accurately, the dominant role of accountants in the past, and which is most likely to dominate in the future:

1. Regularity: establishing the main budget, overseeing the preparation of annual reports and accounts.
2. Inward looking: a greater focus on management accounting to make best use of the organisation's resources and to evaluate performance.
3. Strategic accounting: a greater preoccupation with the position of the organisation *vis-à-vis* financiers, other similar organisations, external agencies.
4. Liaison: with advances in information technology and devolution of accounting practices, will the Chief Finance Officer be in a central liaison or co-ordinating role?
5. Entrepreneurial: a major emphasis on income generation and on radical reappraisal of services, with a sensitivity to market opportunities for more developments.

The members of the group were also given the opportunity to cite other categories or roles, if they considered them more appropriate. Of the above roles, numbers 1 and 2 are closest to Model 1 (the efficiency drive), with role number 3 being akin to Model 2 (the downsized, decentralized organisation). Roles 4 and 5 are closer to Models 3 (excellence) and 4 (public service orientation).

It was evident that the answers from individual members of the group, and the general climate and discussion in the meeting with the entire group, had been, to some extent, influenced by the shift to the 'modernisation' policy of the current government (Cabinet Office, 1999). While this policy shows continuity with the initiatives of previous governments, it also makes demands of public sector managers, particularly in the area of strategic thinking. This is discussed in terms of 'cross cutting' and 'joined-up' government, to express the desire for better collaboration across departments and functions to achieve a greater co-ordination of service delivery. Also, the emphasis on the needs of users of services, rather than the providers, is likely to make demands on the liaison skills of managers and their accountants, while the continued drive for partnership with private sector organisations to finance the activities of public sector organisation raises issues about the entrepreneurial skills of the finance director of the public sector corporation of the future.

Table 3 shows the results for this part of the study. It can be seen that the majority of the expert group believed that the regularity and inward looking roles had dominated the work of the public sector accountant in the past. It was indicated by half of the group that these two roles will remain important in the future ("the regularity role must always be at the centre of public sector accountants' work because of the special accountabilities that attach to public money" - Member Six). This confirms the concern with probity in public finance, and the need for chief finance officers to oversee this. However, this group also envisaged that the emphasis will shift to the strategic, liaison and entrepreneurial roles, with strategic accounting dominating. This accords with the view (Groves et al., 1997) that strategic management techniques can make a substantial contribution to the management of public sector organisations, even bearing in mind the private sector origins of these ideas, and the greater complexity (conflicting goals, more and diverse stakeholders) of public sector institutions.

Table 3: Role of Accountants

Role of Accountants	Past	Future
Regularity	11	7
Inward looking	11	6
Strategic accounting	3	10
Liaison	1	8
Entrepreneurial	1	6

The roles and duties of the public sector accountant are likely to expand in response to the changing nature and organisation of the UK public sector evident in the government's modernisation strategy, outlined above. For this reason, one member of the group (Member One) believed that the accountant would have to be able to occupy all five roles in the future. He believed that the regularity role will be relevant because it is not simply a function of the past, but instead continues to be a key function of the public sector accountant, "particularly in the new resource accounting environment". The inward looking role will also be important in the future because "management accounting and (particularly) performance evaluation in terms of outputs are also key skills to be nurtured". The strategic accounting role will be driven by pri-

vate/public partnerships, and the liaison role will be enabled by IT. It is interesting to note though that whilst, to some extent, information technology enables the accountant, one expert also saw IT as a threat to the accountant's role in the future as the processing and reporting of information will be done mainly through computers. However, in explaining financial issues, the accountant will still play a key role in providing accountability. Finally, the entrepreneurial role was seen as becoming relevant as "the distinction between the public and private sectors becomes further blurred,... particularly for departments with large asset bases (e.g. Health, Roads and Defence)."

The manner in which private sector ideas are permeating public sector accounting practice was also commented upon. One of the group talked about the importance of the introduction of private sector ideas and practices, and the impact of this upon the accountant:

Increasingly... the role of public sector accountants has developed to match that in the commercial sector. Loss of funding in real terms has led to a greater effort in seeking efficiencies in the organisation's own operations, but has also seen a move towards entrepreneurial thinking. Public sector organisations are increasingly seeking out alternative funding sources to augment that received from the public or from government sources. This requires a more creative approach and an ability to 'think outside the box', a skill which the rule-bound traditional accountant may be lacking. (Member Eight)

That is, the traditional role of the accountant remains important in achieving efficiency and value for money (key role in Model 1). However, as public funding becomes scarcer, other, more creative, skills will become increasingly important.

Most members of the group saw some change in the role of the public sector accountant in the future. Only one predicted that there would be hardly any change at all, with roles 1, 2 and 3 continuing to dominate, and a limited number of accountants expanding into the liaison role. Models 3 and 4 were given a greater emphasis as future models by the group, and the perceived need for a shift in the skills of accountants sustains this view.

Competencies of Public Sector and Not-for-Profit Accountants

In addressing this issue, the earlier discussion relating to the challenges to the competencies of management accountants was utilised as a basis for exploring both traditional and emerging skills and competencies. The expert group was asked which competencies of accountants are most important now, and which will be most important in the future. The following list was provided: communication skills (both intra- and extra- organisational), quantification (both financial and non-financial), financial expertise, marketing skills, human resource skills, and general management skills.

The members of the group were also given the opportunity to identify other competencies that they might regard as being of importance. These results are shown in **Table 4**. It is evident that, to a large extent, the results in **Table 4** support those in **Table 3**, showing that an increasing variety of skills and competencies will have to be acquired and developed by public sector accountants in order to adapt to the increasing number of roles which will be required of them in the future. For example, the two dominant roles occupied by the public sector accountant in the past were seen to be the regularity role and the inward looking role. The regularity role involves establishing the main budget and overseeing the preparation of annual reports and accounts. The inward looking role is concerned with a greater focus on management accounting to make best use of the organisation's resources and to evaluate performance. It can be seen from **Table 4** that the key competencies possessed by accountants now were believed to be quantification, financial and communication skills, which are clearly vital to the regularity and inward looking roles: quantification and financial skills in order to establish the budget and the annual reports, communication skills in order to relate the financial results and performance to those both inside and outside the organisation.

With these roles dominating in the past, there was no obvious need for marketing, human resource and general management skills (although that is not to say that these skills would not have been useful). It has been suggested above that, in the future, the accountant will have to occupy more roles, in the realms of liaison, entrepreneurial and strategic accounting. It follows that further skills will have to be acquired in order for the accountant to be equipped to deal with this increasing responsibility. The recognition of this by the expert group can be seen in

Table 4. For example, general management skills will be needed in order to fulfil a liaison role, marketing skills will be needed for the accountant to occupy an entrepreneurial role, and the continuing development of communication skills will be needed in order to cope with the increasing strategic role. From the results, it is apparent that communication is the key competency. It has traditionally been essential and it is believed that it will remain at least as important in the future. Communication skills are vital to the successful accomplishment of each of the five roles discussed previously. These concerns of the expert group resonate with the findings of the Audit Commission (1998, p. 22) in its review of the chief finance officer in local government:

Technical ability, while essential, is only one part of a successful finance director's set of skills. Leading by example, demonstrating vision, negotiating skilfully and building constructive working relationships are just as important... Effective contemporary finance directors are more likely to rely on the influence and personal credibility generated by a track record and on developing good working relationships with others.

Table 4: The Competencies of Public Sector and Not-for-Profit Accountants

Competencies	Now	Future
Communication Skills	Essential	Essential
Quantification	Core	Still important
Financial Expertise	Central	Central
Marketing Skills	Little evidence	Increasingly important (income generation)
Human Resource Skills	Limited	Limited, slow to realise importance
General Management Skills	Limited	Increasingly very important
Other	Political skills	IT skills an absolute necessity

It is interesting to draw attention to the view of one group member (Member Eight) in particular. He believed that, in recent years, several threats to the traditional role of the public sector accountant have manifested themselves, including the rise of the MBA, the advance of technology and the developments of techniques such as the balanced scorecard. These he sees as having questioned or replaced some of the competencies of accountants, although he goes on to say that:

This does not mean that the core competencies of quantification and financial reporting are no longer important in the public sector. Instead, these are increasingly delegated by the finance director to specialist accounting staff, enabling the finance director to concentrate on more strategic and forward looking activities.

He explains the challenges and threats that accountants face in the future as such:

The rise of the MBA in recent years has threatened the traditional role of an accountant in business (whether in the private or in the public sector). An MBA offers wide ranging business management skills that add value, rather than simply counting value.

The advance of technology has led to more sophisticated electronic information systems. These, together with the rapid growth on internet use..., threaten the heartland of the accountant, who has always had a key role in the processing and communication of data. Now transactions are increasingly being processed automatically, seamlessly and quickly.

He also goes on to say that:

Effective communication skills remain important, but are increasingly focused... towards demonstrating value for money and accountability to stakeholders, using a range of financial and non-financial performance measures, as opposed to a simple historical reporting of financial results.

All of this reasserts change, not only in terms of competencies, but also in sensitivity to intra- and extra-organisational stakeholders, and in keeping abreast of developments in IT. The above analysis contrasts with recent studies in health care which demonstrate the limited levels of financial skills and awareness (Marriott and Mellett, 1995), and the need to develop further and enhance these skills, with little mention of the government's modernising agenda affecting the accountant of the future (Ellwood, 2000). However, it accords with the Audit Commission (1998) perspective that high-level management, political, interpersonal, strategic and negotiation skills are as important as accounting and other technical skills in achieving effectiveness. It also re-affirms the views of the expert group on the potential importance of Model 3 (In Search of Excellence) and of Model 4 (Public Service Orientation) in the future.

Specific Accounting Practices

In examining accounting practices, the following questions were posed:

- Which key accounting practices will accountants in the public sector and not-for-profit sector of the future have to use?
- Do you see continuity of existing practices, or the introduction of innovations?

In general there were similar responses, envisaging a continuing trend towards the convergence of accounting practices between private and public sectors with "more continuity rather than radical innovation" (Member Seven). Member Eleven mentioned the use of commercial accounting specifically as being fundamental to the future development of public sector accounting. Indeed, one of the group (Member One) said the following:

Accounting on an accruals basis will become the norm in the near future. Thus, private and public sectors will increasingly come to utilise and report on a single UK GAAP. This, in turn, should result in greater capital-charging between different elements of the public sector, and thus to greater transparency in reporting.

The majority of the group was preoccupied by the theme of continuity and change, and the move to accrual accounting was seen as being of the utmost significance³.

While we recognise the sea-change which this move to full accrual accounting represents for financial accountants in the public sector, it is interesting that only two members of the group saw threats to conventional accounting practices, whether the modification to full accrual accounting was made or not. Member Nine suggested that best value accounting (DETR, 1998), which placed plans, targets and outcomes as central features of local government accounting, had the potential to displace conventional financial accounting in the appraisal of, and accountability of, local authorities. This he saw as more meaningful and relevant to users of services and the local authority managers. Member Eight was more radical:

The developments of techniques such as the balanced scorecard have shifted attention away from simple reliance on management accounts. The balanced scorecard provides a variety of information, not just financial, on an organisation's activities. And current thinking suggests a narrowly focused finance director is not best placed to oversee this. Wider business skills are required.

At first sight, the above observation appears to support Kaplan's (1995) observations on the way forward for accounting within organisations. However, the key phrase is the need for 'wider business skills'. When asked about the role of the balanced scorecard within the public sector, most of the group had come across it, but saw it as a fad that would die out and be replaced in a few years by something else. However, it was found that one major public sector organisation did use the balanced scorecard successfully. Nevertheless, the majority of the group did not cite specific techniques as the most profitable avenue for the accountant of the future.

Member Five saw the specific potential of strategic management accounting. Predominantly, the group perceived the need for a strategic dimension to the thinking of the public sector accountant of the future. Comments were more about behaviour than technique. As such they resonate with the thinking of Johnson's (1995) thesis that too many

accounting practices accept the concept of the organisation as a machine-like bureaucracy and, therefore, accountants need to re-think their activities in terms of their role as part of a web of interconnected relationships. This perspective accords with Baumard's (1999) observation on the importance of tacit knowledge in highly ambiguous (in terms of aims, achievements, means-end relationships) organisations such as those in the public sector. This sense of the future and the role of accounting, and of accountants in it, is expressed well by Member One:

If we take resource accounting, the initial feel was that this was about tracking debtors and creditors. Then we went on to realise that it was about capturing assets as well. And now suddenly we realise that this is not about accounting, but it is about culture and managing the business rather than keeping the score.

This returns us to the opening part of this paper. The public sector is in the process of being transformed and, while accounting practices may change, there are other more fundamental impacts on organisational life, caused by the ramifications of public sector reforms.

CONCLUSIONS

This study takes the perspective that there is much to be gained from an examination of the views of experts, or an elite, in the investigation of phenomena generally, and, more specifically, in management and accounting. The specific phenomenon under study here – the accountant's craft in the New Public Sector – is explored by examining the views of an influential group of leading accountants within the public sector. The method adopted was multi-faceted and iterative. An initial meeting with accountants working in the public sector sharpened the focus of the exchanges with the target group of accountants. The iterative process of researching the views of this elite drew upon suggested models of change (the Ferlie et al., 1996, typology) in the public sector as a device for triggering discussion (so-called 'real world constructs', Lapsley and Llewellyn, 1995). As a consequence, this study can report meaningful insights into the present and likely competencies and practices of accountants in the public sector.

In recent years, since the seminal contribution by Burchell, Clubb, Hopwood, Hughes and Nahapiet (1980), there have been numerous studies of accounting which reported the influence of the context (organisation, environmental) in which accountants operate as being of fundamental importance in explaining and understanding accounting practices and impacts. This study re-affirms the importance of context on a number of levels, as seen through the eyes of an expert group. All members of the group displayed sensitivity to the significant changes that have occurred in public sector and not-for-profit organisations. The view of this group was that the kinds of ideas expressed by Peters and Waterman (1982) on excellence had not dominated the public sector in the past, but would become more important in the future. Also, the stress on efficiency gains (Model 1) and restructuring to save costs (Model 2) were seen as important in the past, but it was thought that these aspects of public service organisations would be less important in the future. However, Model 4 (Public Service Orientation) was seen as increasingly important. This suggests that, so far as this expert group is concerned, the potential to squeeze efficiency gains (by VFM studies or by restructuring) may be exhausted, or at least limited. These findings have important implications for the craft of the public sector accountant.

In the above analysis, there was some difference of views on what 'change' has meant for the public sector. Certain members of the group were tied to more traditional concepts of what the public sector was about. However, in terms of the future, there was a convergence of views on both a broadening of the role of the public sector accountant (the need to embrace more entrepreneurial and strategic thinking and practices), and a wider range of competencies which the public sector accountant of the future would have to possess – in particular human resource and general management skills. These were seen as being in addition to the fundamental competencies of financial expertise and communication skills.

What is particularly interesting is the manner in which this group does not focus on specific techniques, or accounting practices, as innovations that will make the craft of the future public sector accountant sought after by his/her colleagues. There is an acceptance of the advance of accrual accounting throughout the public sector. There is the prospect in the view of one member that best value practices in local government,

with their emphasis on planning, targets and outcomes that embrace financial and non-financial factors, may displace conventional financial reporting. There was also recognition, by one member of the group, of the importance of the balanced scorecard as a practice that could be vital in the public sector organisation of the future, but this was a limited, exceptional response. The entire issue of the range of techniques and practices of the public sector accountant of the future – what constitutes his/her craft – merits further research. At present, the view of this expert group points to a retreat from specific calculative practices to softer skills of communication, persuasion and responsiveness.

NOTES

¹ This research has been carried out over a number of years by a team at Warwick University. The research has explored systems of governance, the introduction of quasi-markets, the management of change, the impact of financial constraints and the influence of public policy (see Ferlie et al., 1996; Pettigrew et al., 1992).

² The group consisted of 13 members: one was a senior manager with significant financial responsibilities in the higher education sector; one was a senior member of a body with oversight responsibilities for local government in England and Wales; one was a director of finance at a major not-for-profit charitable organisation; one had extensive experience of central government financial management; one was the director of finance at a major non-governmental, not-for-profit organisation; one was a senior member of the finance team at the NHS; one was an auditor with a private sector firm, with extensive experience of public sector and not-for-profit accounting, often through VFM audits; one was the finance director for a major local authority; another member was the director of finance for a major public corporation; another member of the group held a senior position within a professional body and had significant experience of local government financial management; another member was in a senior position in a not-for-profit body with oversight responsibilities; another member was a partner in a major, internationally renowned firm of accountants with extensive public sector clients; and the final member interviewed was a senior financial manager in central government.

- ³ While the convergence towards full accrual accounting across the public sector is recognised and acknowledged, its wider adoption need not mean equivalence with commercial accounting practice. Lapsley and Pallot (2000b) note that in certain circumstances what they call 'accounting mutations' emerge: the reformed accounting system differs from traditional accounting, but it also differs, in important respects, from typical private sector accounting practice.

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