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CORPORATE POLITICAL STRATEGY: THE ROLES OF MANAGEMENT ACCOUNTING IN RELATIONAL WORK

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Abstract

Research has provided substantial evidence that firms engage in Corporate Political Activity/Strategy (CPA), as a form of relational work, to manage and influence political actors and shape political institutions in ways favourable to the firm. However, relatively little is known about how management accounting is mobilised in an organisation in order to support CPA attempts. This paper addresses this gap by investigating how management accounting is implicated in relational work. We explore this issue in a Brazilian organisation (Electra), which was privatised as part of a wider privatisation programme in Brazil. We draw on the institutional work and CPA (in particular on Oliver and Holzinger's (2008) framework) literature. By doing so, we find that our focal firm used a multiplicity of relational strategy types (i.e. *reactive, anticipatory, defensive, and proactive)* in a more simultaneous way than has previously been reported in the literature. Moreover, we identify four roles that management accounting may play in organisations' attempts to engage in CPA. These roles were intertwined with the relational strategies adopted in our focal company. This finding contrasts with the research in management accounting, which has dichotomised *passive* and *active* responses to external pressures. We show that these two responses were blended in our case, and management accounting may be concomitantly implicated in *compliance* and *influence* strategies. We further discuss these findings in relation to the literature on relational work/strategy and management accounting.

Keywords – Management accounting; Regulation; Relational work; Strategy; Corporate political activity; Institutional work.

1. Introduction

An extensive body of literature shows that the management of an organisation's relations with the government is of vital importance to its survival and performance (Bonardi, Holburn, & Vanden Bergh, 2006; Doh, Lawton, & Rajwani, 2012; Dorobantu, Kaul, & Zelner, 2017; Hadani, Doh, & Schneider, 2018). The management of the firm-government relationship normally implies undertaking corporate political strategy/activity (CPA), which is concerned with corporate attempts to manage and influence political actors and shape political institutions (e.g. regulators) in ways favourable to the firm (Hillman, Keim, & Schuler, 2004; Keim & Hillman, 2008). In spite of the overwhelming evidence that organisations do indeed engage in corporate political activity (Baron, 1995; Bonardi, et al., 2006; Doh, et al., 2012; Dorobantu, et al., 2017; Hadani, et al., 2018; Mellahi, Frynas, Sun, & Siegel, 2016), political influence theorists have argued that research to better understand the internal procedures and routines related to the adoption of CPA has been largely overlooked (Funk & Hirschman, 2017; Hillman, et al., 2004). This is particularly true in the management accounting field, where we know very little about how management accounting is implicated in CPA. We address this gap in our paper.

Although it is very clear that management accounting is an important resource for enabling change at the organisational level (Hopper & Bui, 2016), it is much less clear how management accounting may be used as a resource at economic and political levels (e.g. management accounting as a resource to manage and influence government agencies) (Chiwamit, Modell, & Scapens., 2017; Dillard, Rigsby, & Goodman, 2004; Modell, Vinnari, & Lukka, 2017). Management accounting has been described as an important resource to legitimise institutional changes *ex post*, as well as to identify the need for change, gain people's support for change and implement change (Hiebl, 2018), but we still lack an understanding of the interplay between management accounting and the broader range of constituencies in society (e.g. government and regulators) (Modell, 2014). As a result, there are calls for further research into how individual organisations and their management accounting functions respond to and influence governmental regulations and decisions (Chiwamit, et al., 2017; Modell & Yang, 2018); and how management accounting practices "constitute a medium, rather than merely an outcome" of the external institutional environment (Modell, 2014, p. 89).

We address these calls by teasing out the role of management accounting in a corporate political strategy initiative in a Brazilian organisation (Electra[1]), which was privatised as part of a wider privatisation programme in Brazil. This research setting provides a rich and

[1] For confidentiality reasons, we will call it Electra.

interesting context, as the Brazilian structural reforms were carried out with a lack of planning and were based on *ad hoc* decisions made by the Brazilian government, i.e., the reform was based on a 'trial and error' approach (Araujo, 2006). As a result, the Brazilian electricity sector's institutional environment was extremely volatile, which in turn, caused uncertainties and high risks for businesses. As will be demonstrated, our case company engaged in CPA in order to manage and influence governmental regulations to improve its performance. As such, management accounting has multiple roles in enabling the organisation's CPA.

To theorise how management accounting was implicated in the strategic management of the company-government (i.e. regulator) relationship, we draw on the institutional work and CPA literature, in particular on the framework of Oliver and Holzinger (2008). By doing so, our paper contributes to research on relational work/CPA and management accounting in several ways. First, we highlight contextual factors that may affect the antecedents and rationales behind the engagement in relational work. We find that the firm used a multiplicity of relational strategy types (i.e. *reactive, anticipatory, defensive, and proactive)* in a more simultaneous way than has previously been reported in the literature. Second, we identify four roles played by management accounting in the strategic management of the firm-government relationship. We also demonstrate that these four roles were intertwined with the organisation's CPA. Finally, previous research in management accounting has dichotomised *passive* and *active* responses to external pressures (Abernethy & Chua, 1996; Englund & Gerdin, 2018). However, we find that in the context of CPA, these two responses were blended, as the organisation focused on value creation. In this way, management accounting may be concomitantly implicated in *compliance* and *influence* strategies (Oliver & Holzinger, 2008) aimed at obtaining 'high' performance.

The remainder of this paper is organised as follows. Sections 2 and 3 present our literature review and theoretical framing, respectively. Section 4 addresses our research design and data analysis. Next, we describe the context of our focal firm and the emergence of CPA in the company. In section 6, we examine four relational strategies adopted in our focal company and how management accounting was implicated in these strategies. Finally, we discuss our results, describe the contributions of our study, and offer concluding remarks.

2. Previous literature

Organisations' interactions with important referent audiences, in particular with regulators, have been examined in the management accounting literature (Shaoul 1997, Andon, Baxter, & Chua, 2015). Most research on this topic has focused on explaining how relationships between regulations and organisations' responses to pressures for compulsory adoptions affect organisations' management accounting practices (Conrad, 2005; Lapsley & Wright, 2004; Fiondella, Macchioni, Maffei, & Spanò, 2016; Warren & Seal, 2018). This stream of research has often shown that the constraints associated with compulsory implementations of management accounting practices lead to resistance to their adoption and foster the decoupling of management accounting practices at the operational level of organisations (Dambrin, Lambert, & Sponem, 2007; Fiondella, Macchioni, Maffei, & Spanò, 2016; Siti-Nabiha & Scapens, 2005; Yazdifar, Zaman, Tsamenyi, & Askarany, 2008). However, this approach has been dominated by the view that organisations are relatively passive entities who have few opportunities to influence their external institutional environment (Dillard, et al., 2004; Modell, 2014).

A small number of studies in management accounting have addressed this limitation (Modell, Jacob, & Wiesel, 2007, Hopper & Major, 2007, Chiwamit, Modell, & Yang, 2014).

This literature assumes that management accounting influences and is influenced by its institutional environment (Hooks & Perera, 2006). For example, attempts have been made to provide a broader explanation of the way in which regulators mediate the use and implementation of management accounting practices. These attempts have focused on how regulations are shaped by collaboration between regulators and consultants and how these interactions might influence firms to implement a specific management accounting practice (Modell et al. 2007, Hopper & Major 2007). However, these studies did not offer detailed insights into how individual firms might directly influence regulations and regulatory decisions (Modell, 2014).

In response to this limitation, Chiwamit et al. (2017) offered a more detailed account of the involvement of organisations in the formation of regulations that governed management accounting practices. They explored how a Thai Regulatory Agency (SEPO) mediated the adaptation of the Economic Value Added (EVA™) as compulsory performance management systems for state-owned organisations in Thailand, and how this mediation affected the use of EVA™ by Thai firms. They found that the mediating role played by the Thai regulator enabled individual firms to influence the regulatory standard-setting process and the collaboration between regulators and organisations facilitated firms' compliance with the regulations. However, similar to the other studies reviewed above, Chiwamit et al. (2017) did not explicitly explore the relationship between regulators and firms as part of a broader organisational strategy. Therefore, these studies did not offer detailed insights into the relationship between relational strategies (such as those used to manage and influence regulators) and management accounting. Moreover, these studies primarily focused on the regulations that govern a specific management accounting innovation, such as Activity Based Costing (Hopper & Major, 2007) and Value Economic Added (Chiwamit et al., 2017), instead of focusing on the role of management accounting[2] in managing and influencing the regulations that govern the whole of the firm. Therefore, these studies have been relatively limited in scope. Hence, while research shows that management accounting might act as a resource to enable change (Hiebl, 2018; Hopper & Bui, 2016), it has paradoxically overlooked how management accounting is implicated in an organisation's efforts to strategically manage the government-firm relationship (i.e. CPA) over time.

3. Theoretical framing

Researchers have drawn on institutional work to explore how organisational actors leverage symbolic and material aspects of management practices to transform institutions or to create new ones (Chiwamit, et al., 2014; Evgenii, Anatoli, & Giuseppe, 2018; Hayne & Free, 2014). Institutional work has been defined as "the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions" (Lawrence & Suddaby, 2006, p. 215). As a result, institutional work places its focus on the role of actors and their efforts to interact with and influence institutions (Canning & O'Dwyer, 2016; Nielsen, Roslender, & Schaper, 2016. Following the lead of Oliver (1991), institutional work theorists have moved away from the conceptualisation of organisations as passive recipients and have instead adopted an agentic view of organisational responses to institutional pressures. Moreover, the institutional work perspective relies profoundly on the concept of practice as the connector between organisational actors' mindsets, purposive efforts, and institutions (Phillips & Lawrence, 2012). Thus, the institutional work approach draws on the sociology of practices

[2] In this paper, we use the term 'management accounting' in its broader sense, as synonymous with 'the management accounting function', that is, a broad range of tasks and activities performed by management accountants in an organisation (CIMA and AICPA, 2014).

by focusing on how practices affect the institutional arrangements within which those practices are situated (Hampel, Lawrence, & Tracey, 2017).

The institutional work perspective offers a detailed classification of the various types of work involved in influencing and shaping institutions (Chiwamit, et al., 2014). In particular, this research has traditionally divided institutional work according to its intended outcomes (e.g. disrupting, creating, and maintaining institutions) (Lawrence & Suddaby, 2006). However, Hampel, et al. (2017) advocate for an alternative classification of institutional work, one based on the *means* that are used to achieve particular goals. The authors suggest three types of institutional work: "first, symbolic work that uses symbols, including signs, identities and language, to influence institutions; second, material work that draws on the physical elements of the institutional environment, such as objects or places, to influence institutions; and third, relational work that is concerned with building interactions to advance institutional ends" (Hampel, et al., 2017, p. 570).

In this paper, we are particularly interested in relational work, as we found that our focal organisation engaged in this type of institutional work to influence its relationship with the regulator. Studies based on relational work explore how people and organisations may influence institutions through their interactions with others (Girschik, 2020). Research suggests that a critical dimension of a firm's performance is related to how the organisation manages and interacts with important referent audiences (Andon et al. 2015; Hillman, et al., 2004). The management of government relations may thus be regarded as a primordial element of an organisation's long-term success (Keim & Hillman, 2008; Marquis, Zhang, & Zhou, 2011). As a result, relational work may become critical to a firm's ability to obtain competitive advantage and secure resources and social legitimacy (Peng, Wang, & Jiang, 2008; Xu & Meyer, 2013).

Relational work, which aims at creating and sustaining long-term performance, may involve managing regulatory demands and/or influencing regulation and regulatory decisions in order to include the firm's interests in the regulations (Heese, Krishnan, & Moers, 2016; Oliver & Holzinger, 2008). This type of relational work is normally associated with a proactive response to the regulatory environment (Heese, et al., 2016; Hiatt & Park, 2013), aimed at enhancing strategic flexibility (Dixon, Meyer, & Day, 2007; Teece, Pisano, & Shuen, 1997) in response to environmental uncertainties (Hiatt & Park, 2013; Oliver & Holzinger, 2008). Indeed, in the context of a company operating in a regulatory environment that is 'in-formation', organisations continuously have to adapt and proactively develop responses to regulatory changes in order to secure high performance and sustainable competitive advantage (Dixon, Meyer, & Day, 2010; Helfat & Martin, 2015; Teece, 2012).

As the management of the relationships with key audiences can improve the organisation's competitive position in the market (Bonardi, et al., 2006; Pache & Santos, 2013a), relational work has been linked to the concept of relational strategy (Girschik, 2020; Marquis & Raynard, 2015), which has been defined as "the actions and activities taken to interact with and strategically manage important referent audiences" (Marquis & Raynard, 2015, p. 317). Amongst the relational work (strategy) approach, the Corporate Political Activity/Strategy (CPA) has been very influential (Hadani, et al., 2018). The adoption of Corporate Political Activity/Strategy (CPA) in a firm implies that managers must decide whether to adapt the organisation's strategy to manage and influence political actors and shape political institutions (e.g. regulators), devote resources and organisational capabilities to improve it, or try to transform it altogether (Dorobantu, et al., 2017).

In spite of the importance of CPA studies, several authors have argued that this approach has been limited in scope as it typically views government demands as solely constraining and worsening firms' performance (Doh, et al., 2012; Hotho & Saka-Helmhout, 2017; Oliver & Holzinger, 2008). Organisational actors have been portrayed as 'active resistors' to government pressures, who need to make decisions on what demands to neglect, alter, satisfy or prioritise in order to secure legitimacy and ensure an organisation's survival (Pache & Santos, 2010, 2013b). Therefore, most research has focused on the ways in which organisations resist governmental pressures. In contrast, George, Chattopadhyay, Sitkin, and Barden (2006) suggest that institutional changes depend on whether managers view external pressures as potential opportunities for, or threats to, obtaining higher performance. Moreover, organisational actors may engage in relational work to enhance the firm's financial performance, as one of its primary goals (Carter & Whittle, 2018). Therefore, firms may see the firm-government relationship as an opportunity to leverage their strategic assets and competencies, and improve their financial performance (Marquis & Raynard, 2015). However, as noted by Oliver and Holzinger (2008), the literature has paid scant attention to the view of relational work as a source of value creation.

In response to this limitation, Oliver and Holzinger (2008) proposed a framework which focuses on organisations' capabilities to respond to the institutional environment at the firm level. Their framework is well-recognised in the institutional (relational) work/CPA literature (Marquis & Raynard, 2015). For instance, the recent work by Girschik (2020) emphasises the importance of Oliver and Holzinger's (2008) framework for the relational work literature, as one of the main contributions of this framework was to show that organisations can "strategically shape their environments, for example by developing best practice solutions to policy problems and establishing standards that shape regulations to match company interests" (Girschik, 2020, p. 778).

For Oliver and Holzinger (2008), performance differentials among organisations are influenced by companies' specific resources and capabilities, and organisations might also be motivated to maintain and/or create value in political environments. As such, Oliver and Holzinger (2008) explain:

> "When firms are motivated to create or maintain their value in political environments, there are two means by which they can take advantage of political opportunities: (1) they can actively influence their political environments, or (2) where influence is impossible or not desired, they can actively comply with public policies or regulations with the intent of deriving as much value from such compliance as possible" (p. 505).

Oliver and Holzinger (2008) distinguish between *influence* and *compliance* strategies. Political *influence* strategies "are firm-level actions undertaken for the purpose of mobilizing support for the firm's interests" (p. 505). Political *compliance* strategies are the organisation's actions to conform with political demands with the aim of "maintaining or creating value by anticipating or adapting to public policy" (p. 505).

Based on these dimensions of value creation, value maintenance, influence strategies, and compliance strategies, Oliver and Holzinger (2008, p. 507) propose four types of political management strategies (see figure 1): (i) *reactive strategy*: "actions undertaken to efficiently align one's internal processes with political demands" (compliance strategic orientation; and value maintenance perspective); (ii) *anticipatory strategy*: "actions undertaken to gain a first mover advantage by anticipating future public policy" (compliance strategic orientation; and value creation perspective); (iii) *defensive strategy*: “actions undertaken to thwart unwanted political changes and protect the status quo” (influence strategic orientation; and value maintenance perspective); and (iv) *proactive strategy*: “actions undertaken to shape and control the way that norms and public policies are defined” (influence strategic orientation; and value creation perspective).

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A core aspect of the Oliver and Holzinger (2008) framework is that management practices act as enablers of CPA, i.e. relational work will be a function of a firm’s political management capabilities. According to the authors, organisations that develop and deploy managerial capabilities (such as flexible organisational capabilities, and managerial cognition) will be better able to respond to and manage the political environment.

4. Research method

We draw on the case of an electricity distribution company in Brazil - Electra. To investigate this case, we adopted a qualitative approach which is best suited to capturing members’ context-specific understandings of their organisational reality, and allows the exploration of complex issues (Parker, 2012; Silverman, 2004). Semi-structured and face-to-face interviews constituted the primary method of data collection in this study. In total, a period of 7 months (from March 2008 to September 2008) was spent in collecting the primary data. Fifty interviews were carried out, typically taking around one hour. Interviews were carried out among eight different organisations (see table 1).

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Besides generating data from interviews, evidence was also obtained from documents. These documents were collected from Electra, its parent company, the holding company, the regulator and the Brazilian electricity distribution companies' association (ABRADEE). Specifically, we collected and analysed the following categories of documents: annual reports, management reports, intranet and information systems reports, the company newsletter, presentations, norms and guidelines, and laws and regulations in the Brazilian electricity sector. The analysis of these documents was particularly useful to produce a reconstruction of the historical and organisational context within which the relationship between management accounting and CPA took place.

In addition, data was collected through informal conversations and non-participant observations. Several scholars have suggested respondent validation (i.e. the feeding-back of the researcher's interpretation of the phenomenon to the subject of the study, in order to confirm the researcher's interpretation) as one of the ways to enhance research validity (e.g. Scapens, 1990). This respondent validation was carried out in informal conversations and probing questions during the formal interviews. The former and present head of the accounting department and the manager of the planning and control department were the main sources of respondent validation in informal conversations.

We adopted Miles and Huberman's (1994) method of analysing qualitative data. This consisted of three complementary flows of activities: data reduction, data display, and conclusion drawing and verification. Data reduction involved selecting, focusing, simplifying, abstracting and transforming the data in the field notes and interview transcripts. After transcribing the interviews, or at the end of each visit to the field if the purpose of the visit was other than interviewing organisational members, field notes and/or interview transcripts were studied carefully. This process was then followed by coding. We identified appropriate codes only after we had completed a significant number of interviews and gained an awareness of the main organisational issues (Miles, Huberman, & Saldaña, 2014). We first developed broad coding categories, guided by our research interests in the influence of the privatisation and the new regulation on Electra's management accounting change over time. However, adopting an abductive approach – "inference to best explanation" (Lukka & Modell, 2010, p. 467), it became clear that the organisation's attempts to manage and influence regulation was an important theme to make sense of our empirical data. We then re-focused our analysis on the relationship between relational work/CPA and management accounting, with an emphasis on how management accounting was implicated in Electra's CPA. This process of coding and categorising data was conducted with the aid of a qualitative data analysis software package (NVivo), which helped us to access and process the data within a single/common platform and thus to analyse it in a more systematic manner.

Categories were discussed and refined, dropped, or added to ensure that they appropriately reflected the data (Silverman, 2014). Our final coding guide comprised six research categories (themes): (1) motivation to adopt CPA in Electra; (2) the CPA's use and types; (3) management accounting practices; (4) the roles of management accounting in CPA; (5) Electra's context; and (6) the organisational field. We also divided these research categories into subcategories. For example, the category "the roles of management accounting in CPA" was divided into 'compliance role', 'anticipatory role', 'scrutinise role' and 'influence role'. The data and the themes were repeatedly studied with patterns identified within the themes and plausible explanations constructed from the regularities observed (Miles, et al., 2014). We next organised our narrative around the relationship between CPA and management accounting, adopting Oliver and Holzinger's (2008) framework. We finally positioned our findings in comparison to the extant literature, so as to discuss the particular contributions of our study.

5. Research context

5.1 Electra's wider context - the electricity sector reforms in Brazil

The Brazilian Electricity sector was originally based on a set of vertically integrated companies, for the most part under public ownership. Difficulties in keeping up with the growing demand worsened in the 1990s and internal pressures from a new neo-liberal government, as well as pressures from external organisations, such as the World Bank and the IMF (International Monetary Fund), triggered structural reforms in 1995 (Rocha & Alcaraz Garcia, 2006). The Brazilian government implemented significant changes to the country's electricity sector, including privatisation, the introduction of competition and the creation of a new regulatory system.

A new regulatory framework (price-cap regulation) was introduced in the Electricity sector in Brazil. The tariff review process constitutes the principal event in a utility company, because the company's revenue is set for a period of 4-5 years. In the Brazilian tariff review process, there were only two items that a distribution company could concentrate its efforts on to try to maximise its tariff/revenue in accordance with the regulation. These two items were: (1) the operating expenditures (OPEX); and (2) the regulatory asset base (RAB). The management of the operating expenditures based on the 'Reference Utility' approach (Wanderley, Cullen, & Tsamenyi, 2011) and the determination of the regulatory asset base, were essential for the success of the organisation in terms of profitability.

In spite of the extensiveness of the Brazilian electricity sector reforms, these reforms involved independent actions and were characterised by a lack of planning and *ad hoc* decisions made by the Brazilian government (Wanderley, et al., 2011). This approach to reforming the electricity sector has been described as a reform by '*trial and error*' (Araujo, 2006, p. 565). For instance, the Brazilian reforms failed to follow the usual sequence of steps, including the development of an effective regulation. The privatisation process started in Brazil before the creation of the sector regulator (ANEEL). As a result, the Brazilian reforms received severe criticism as it was claimed that they did not follow an ideal order (Losekann, 2008).

The lack of definition of the regulatory issues generated a lot of controversy and uncertainties in the electricity sector in Brazil. For instance, in the middle of the first tariff review process, the Brazilian government issued and/or modified over 100 items in the regulatory framework in a single month (Signorini, Ross, & Peterson, 2015). This institutional instability was the norm in terms of the process of structural reforms in Brazil. Araujo (2006) points out that the Brazilian electricity sector had two major reforms (divided into 3 phases) from 1995 to 2004. Moreover, the country faced an electricity supply crisis with an imposed rationing of electricity consumption by 20% from June 2001 to March 2002. Therefore, the Brazilian electricity sector's institutional environment can be characterised as extremely volatile and unstable, since the beginning of the reforms.

5.2 The case company and the emergence of CPA

Electra was founded in the 1960s when two firms merged to form a state-owned organisation. Within context of the comprehensive reforms in the Brazilian electricity sector (see section 5.1), Electra, which had more than 1.8 million consumers, was privatised in April 2000; the holding company that purchased our case firm was formed by two Brazilian companies and a European electricity firm (Energia[3]). In addition to Electra, the holding group owned two distribution firms and nine generation and transmission companies.

[3] For confidentiality reasons, we will call it Energia.

After privatisation, Electra's ownership changed a considerable number of procedures as well as its organisational structure, which was no longer a functional one. Instead, Electra was reorganised under a process-oriented perspective. More specifically, the distribution companies in the group implemented a system of management by objectives (MBO). The system was promoted by Energia in order to implement its management model across the group's firms.

Despite the introduction of a private for-profit management system (MBO), the group reported financial results that were significantly lower than those announced during the privatisation process. By mid-2004, the poor financial situation of the group motivated a thorough restructuration process that some interviewees considered "*a second privatisation*". Following the restructure, the operation and management of Electra was no longer the responsibility of Energia. As a consequence, the management of Electra passed to the other Brazilian company within the group (a Brazilian Pension Fund). Under this new administration, the holding company reshuffled its organisational structure and hired high-profile managers from the Brazilian electricity and finance industries.

In order to address concerns over financial results, the restructuring process strongly promoted a strategy of *maximising profits while being constrained by the regulation*. The Head of the Internal Audit Department pointed out:

> *"We have two main aims as a company: (1) provide high quality services to the population by meeting the quality requirements of ANEEL (the regulator), and (2) meet the shareholders' expectations."*

The 2004 restructuring process in Electra clarified even more the hierarchy of the group's stakeholders; the shareholders and the regulator of the Brazilian electricity distribution firms (ANEEL) were placed at the top. To comply with shareholders' demands, the holding company established financial performance as a key strategic goal. At the same time, the importance of the regulator was not underestimated; Electra's management considered it as its real '*client*' and main stakeholder. Furthermore, the regulator, which was responsible for consumer rights protection, established the quality standards for electricity distribution companies. The Head of system operation department stated: *"We are a distribution company. We have to comply with the regulation and make high profits."*

In order to achieve this aim of profit maximation, Electra needed to develop a new business model to respond to the challenges of the Brazilian '*trial and error*' reforms. Importing and exploiting Energia's business techniques had proved not to be enough to achieve the desired performance. Electra initiated an organisational change in order to promote new management practices that would help the organisation to obtain 'high' performance in the new Brazilian electricity sector, that is, Electra engaged in CPA. Electra's former superintendent of engineering explained:

> *"What happened in the second moment with the restructuring was the fact that the new holding company is an operative holding company and it has a more aggressive mission and vision based on economic and finance performance"*

CPA was a response to the highly complex and volatile regulatory system in place in Brazil. The Brazilian regulatory framework was in constant change. For instance, Electra's Manager of the Commercial Department pointed out that *"in only one month [May 2008], the regulator issued 515 new norms"*. In this volatile institutional environment, Electra understood that its basis for success (i.e. maximising financial performance despite being constrained by regulation) was conditional on how well and quickly the company could adapt, respond, and influence the government (i.e. regulation).

Additionally, the new management team perceived that Electra could imitate the actions of other Brazilian organisations to manage and influence the regulator. Electra was able to access and exchange information regarding organisational performance and the management practices of other distribution utilities. As stated by the Head of the Planning and Control department: "*the electricity sector is very open, we can visit other companies to see what they are using and doing"*. This enabled the organisational members to perceive that CPA was a relatively common practice among the other electricity companies in the Brazilian electricity sector. The holding company's director of Planning and Control commented: *"most of the big utility companies have or are implementing a regulatory area to respond to the regulatory demands"*. Therefore, the openness of the sector facilitated the organisation's actions in imitating the CPA of other Brazilian electricity companies, which it perceived to be more successful (Dillard, et al., 2004).

6. Relational Work/CPA and Management Accounting (MA)

In this section, we describe Electra's relational work (CPA – corporate political activity/strategy) and the roles played by management accounting (MA) in facilitating this institutional work through four different types of strategies: (1) reactive; (2) anticipatory; (3) defensive; and (4) proactive (see section 3, and figure 1 for definitions/characteristics of these strategies). In figure 2, we summarise our main findings, specifically showing a) the types of political strategies implemented in our focal company; b) Electra's political actions; c) the roles of management accounting in Electra's CPA; and d) examples of management accounting practices used by the organisation in order to support its CPA.

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6.1 Reactive strategy – MA used to ensure quick regulatory compliance

Electra modified its internal management systems, as management practices had to be more flexible to align with the regulation and its constant modifications. Being adaptable to the regulation was a key characteristic to secure long-term performance in view of the fact that the success of Electra depended on the balance between financial performance and the regulator's requirements.

One of the objectives of CPA in Electra was to prevent penalties and other enforcement activity; and obtain the maximum benefit from the current regulation. This was regarded as *extremely important* by Electra's Superintendent of Regulation and Tariff, who also highlighted the importance of complying with Electra's concession contract, which established the performance indicators that have to be reported and controlled by Electra: "*Performance indicators will be controlled and they are subject to penalties if the company does not achieve the minimum standard established by ANEEL [the regulator]*".

Compliance with regulatory demands was also used as a way to secure external support from other stakeholders (Kury, 2007; Suchman, 1995). Institutional work has been linked closely to the issue of external legitimacy (Suddaby & Viale, 2011). As such, institutional work studies have shown that actors need to maintain and/or build external legitimacy in order to secure continued support for their policies and actions (Riaz, Buchanan, & Bapuji, 2011). Privatisation processes and their outcomes are normally surrounded by criticisms and controversies (Bowman, 2015; Jupe & Funnell, 2015). In the Brazilian context, distribution companies (including Electra) faced a lot of criticism and negative public opinion from society calling for them to overcome the flaws and problems in the Brazilian Electricity sector (e.g. the 2001 electricity crisis and the increase in the electricity tariff) (Araujo, 2006). Key operational performance measures were tightly controlled by the regulator. These measures represented the quality of Electra's services to the external audience. By fully complying with regulation and achieving these regulatory measures, Electra could promote a rhetoric that the company was well-managed: "*we used these indicators to improve the company's image"* (The Manager of the Planning and Control Department). At the same time, Electra could '*blame*' the regulator for any flaws in Electra's services: *"the customers must complain to the regulator if they are not happy"* (Commercial and Market Superintendent).

To support CPA in Electra, a new unit was created in the organisation (Superintendency of Regulation and Tariff). This unit played a key role in implementing Electra's new strategy and disseminating the 'regulatory culture' (i.e. the view that the company operated in a regulated industry and the success of the company depended on the balance between the regulator's requirements and the financial performance of the organisation). The company's desire to disseminate this regulatory culture was clearly outlined in the mission of the Superintendency of Regulation which highlighted the need *"to ensure the regulation compliance to seek fair tariffs that provide the economic and financial equilibrium of the concession"* and *"to facilitate the understanding and compliance of the regulatory requirements by all areas of the organisation by disseminating the regulatory culture"* (Organisational Manual in 2007, p. 111).

The Superintendency of Regulation became responsible for translating the regulator's requirements for the members of the company with the objective of creating an organisational environment that was able to adapt quickly and respond to the demands of the regulator. To those ends, the members of the regulatory department worked in conjunction with other areas of the company to respond to the regulatory demands. This integration and dissemination of the '*regulatory culture*' in the organisation enabled a continuous rethinking, as well as changes to Electra's activities through experimentation and variation in the company's management practices.

Management accounting was used to ensure that Electra quickly fulfilled all statutory and regulatory obligations in relation to accounting, regulatory reporting, and other regulatory compliance. As the regulator's requirements had a strong influence on Electra's decision-making processes and strategy, the management accounting systems used the "*regulator's language*" in their outputs and systems. A Manager of the Planning and Control Department pointed out: *"some of the information is part of the reports, because it is a demand from the regulator".* As a consequence, the performance measurement system was also redesigned to control the performance indicators that the regulator monitored.

The management accounting area of the company was also integrated with the regulatory and operational areas. Electra created an interdisciplinary team made up of members of the planning and control department (management accounting area of Electra), the regulatory areas, and the operational areas. This team was responsible for interpreting the new regulation and implementing the necessary changes according to the regulator's demand. The team was supervised by the regulatory area of Electra and one of its main concerns was the integration and reconciliation of the regulatory, financial, and operational demands to ensure the high adaptability and performance of the organisation. The former Head of the Accounting Department also commented:

> *"This [management accounting] area started to control and calculate the company's operational expenditures, the losses index, the level of default (...). Therefore, there was considerable improvement in terms of economic and financial controls."*

In addition, Electra improved its internal control system. A new organisational unit (the internal control unit) was created to ensure the implementation and effectiveness of the new internal control system. This internal control system was regarded as *very important* for Electra's strategic goals, as expressed by the former Head of the Accounting Department:

> "*The asset control was the accountant's problem, nowadays it is a problem of the CEO and the administration council, because the dividends are linked to the regulatory asset base.*"

Moreover, in order to consolidate the new internal control system, a new computational system (called the 'Normative Management System' - SGN) was acquired to manage Electra's internal procedures and to proactively comply with the regulation. The activities were communicated through norms and operational procedures which were available on the company's intranet for all of the managers and employees.

6.2 Anticipatory strategy – MA used to understand the potential impact of future regulations

Electra tried to improve its performance by anticipating future regulations. One of the actions employed by the company to deploy this strategy was to hire ex-government experts with superior knowledge about the regulatory framework in Brazil. As a result, a number of Electra's top managers were previously part of the Brazilian government taskforce which was formed to design the new regulatory framework for the Brazilian Electricity sector (e.g. Superintendent of Regulation and Tariff, and Commercial and Market Superintendent), providing them with an *'insider'* perspective on the regulatory processes. Electra's Superintendent of Regulation and Tariff commented: *"I worked for the regulator, I helped to create the new regulation, I know how they make the regulatory decisions"*.

Additionally, a systematic scanning of the regulatory landscape to capture and understand the emerging development of the regulation was applied. A dedicated team of the Regulatory area of Electra was responsible for this activity. This team assessed the implications of developments in regulations and legislations and proactively attended industry conferences, public audiences and events promoted by the Regulator. The head of this team (the Head of the Economic and Financial Regulation Department) explained:

> *"We have a need to know and understand everything that impacts on our business. It is the on-going necessity of controlling the information and following the actions taken by the regulator and the government in general."*

Based on this *'insider'* perspective of the regulation and the scanning of the regulatory environment, management accounting played a role in ensuring that the potential impact of the emerging developments of the regulatory and legislative landscape on the organisation were understood, as Electra's CEO commented: "*we need to foresee everything that may affect our profit"*. In this way, management accounting supported Electra's managers. The potential impact of the changes in the regulatory environment was analysed by Electra's management accounting team using its budgetary system and reported to Electra's regulatory task forces.

There were two types of budget in Electra: the long-term budget which was known as the 'Economic Planning Model' (MPE, in Portuguese); and the annual budget. The MPE system was the one used by Electra in its anticipatory strategy. The Economic and Planning Model (MPE) was created and developed in 2003 by the holding company in conjunction with the group distribution companies and was officially adopted in 2004. The MPE was regarded as the main instrument of long-term strategy for the company, because it forecast the financial and economic performance of the company during the concession period (from 2000 to 2030).

The main objective of this model was to ensure adequate return on investments to the shareholders in accordance with the original business plan prepared by the holding company during the process of acquisition of Electra, which set the future cash flows of the company to obtain desired return on investments.

Therefore, in conjunction with the regulatory area of Electra, the management accounting team used the MPE system to predict different scenarios based on potential changes in the regulatory landscape. The Manager of the Planning and Control department, who was responsible for the MPE, commented:

> *"Our analysis provides indications of the future performance of the company and enables actions towards improving the company's performance measures."*

6.3 Defensive strategy – MA used to challenge regulatory decisions

Electra also focused on undertaking actions to thwart unwanted regulatory decisions by influencing specific regulatory decisions affecting the organisation. The firm scrutinised and challenged all the decisions made by the regulator. To this end, Electra developed a systematic methodology to prepare the organisation for important decisions taken by the regulator. This methodology involved three main activities: 1) pre-evaluation and consolidation of all data that the regulator would request for the decision; 2) train managers and employees on how to respond to the regulator's requests and how to present the information to the regulator; and 3) prepare a 'mock' regulatory report. The 'mock' regulatory report was an important instrument in the activity of influencing and challenging regulatory decisions. Electra compared this 'mock' regulatory report with the actual regulatory decisions, and any discrepancy was investigated in detail. The organisation's goal was that the actual regulatory report would be very similar to the 'mock report'.

Based on this systematic methodology, Electra put pressure on the Regulator's authorities/auditors to benefit the organisation. The Head of the Economic and Financial Regulation Department commented: *"These control mechanisms provide the means to challenge regulatory decisions that go against the firm's interests"*. As the Regulator was still in formation and consisted of a limited number of well-trained and skilled staff/personnel. "*it was very easy to persuade the regulator's auditors, because they lack resources and knowledge to carry out their jobs"* (the Superintendent of Regulation and Tariff). Moreover, most of the regulator's auditors had little or no experience in the Electricity sector, as Electra's Head of the Planning and Control Department stated: *The regulator's auditors come here, and we teach them how to do their work"*.

Therefore, Electra perceived that it could influence the Regulator by demanding more information from the Regulator and seeking justification for any decisions that went against the organisation. Electra had the advantage in terms of material and intellectual resources. Most of Electra's managers and workers were very well-trained with several years of experience in the Electricity sector. Electra's Superintendent of Regulation and Tariff pointed out: *"I probably know more about how the regulator operates than most of the people who actually work there."*

Electra also used its networks and external consultants to support its attempts to thwart unwanted regulatory decisions. This is a well-reported type of institutional work, when an actor tries to recruit and/or create a network of other actors to support and amplify its initiatives (Dorado, 2013; Hampel, et al., 2017). It was a common practice in Electra to hire external legal support. Additionally, Electra formed alliances with its suppliers to back up its claims and cultivated relations with former employees who left the organisation during the privatisation process to work for the regulator at national and local levels. These combined forces were mobilised by the company when necessary to support Electra's attempts to change and prevent decisions against the firm. In this regard, the legal department of Electra played an important role by processing and organising the claims and pledges against the Regulator. This department increased its size and relevance with the implementation of CPA in Electra. The Head of the Internal Audit department stated: *"We only had a couple of lawyers in the past, but now they [legal department] take almost the whole floor of the building"*.

Electra's management accounting was thus used to support organisational attempts to scrutinise, challenge, and question regulatory decisions with the aim of thwarting or reversing unwanted regulatory actions against the organisation. Management accounting was particularly mobilised during the tariff review process with an extensive cross examination of the regulator's tariff review report. This scrutinization provided Electra with useful information to challenge the regulator's allocations and decisions in order to influence regulatory decisions in the company's favour. Electra's Engineering Superintendent commented:

> *"The company has a group that is dedicated to the Regulatory Asset Base. This group is formed by members of the Planning and Control department [management accounting area] and members of the Regulatory and Engineering superintendencies. The coordinator of this group is Valberto Silva[4], from the Planning and Control department, who has a nick name 'Mr. Base'… One of the functions of this group is to check the calculations and allocations used by the regulator to determine the Regulatory Asset Base."*

[4] For confidentiality reason his name was modified.

An emblematic example of the organisation's efforts to reverse unwanted regulatory actions can be seen in Electra's first tariff review process in 2005. In the first tariff review period, there was an increase in the energy purchase costs which was mainly caused by a related party transaction between Electra and a generation company from Electra's economic group. This kind of transaction is known as a self-dealing transaction. This transaction generated a lot of controversy during the first tariff review process because Electra was accused of inflating the costs of energy to generate higher profits for its own economic group. The regulator, pressured by a wave of public interest litigations, decided to use the national average cost of energy instead of the actual cost (including the self-dealing contract) paid by Electra. As a result, ANEEL (the regulator) adjusted Electra's tariff, only increasing it by 7.4%. Instead of 56.78% as originally requested by the company.

However, Electra did not accept this tariff increase rate, and the organisation assembled a team of members from its management accounting and regulatory areas to scrutinise the regulator's tariff review report. This team argued that the methodology (the national average cost of energy) used by ANEEL was not correct, as regulatory norms established that the actual cost of energy should form the basis of the tariff review process. The management accounting team provided an economic and financial analysis of the impact of ANEEL's decision. In this forecast, Electra showed that the company would not have enough cash-flows to support its capital expenditures in the medium and long-term. ANEEL accepted Electra's pledge and decided to adjust the company's tariff by increasing it to 32.54%.

6.4 Proactive strategy – MA used to express the organisation's views and interests

As reported in the institutional work literature (Slager, Gond, & Moon, 2012), standard-setting processes provide an important context for firms' institutional work, because of the public and contradictory nature of these processes. Indeed, as the Brazilian Regulator (ANEEL) was obligated by the Brazilian legal system to set the regulatory legislations with the participation of the Electricity sector companies and associations through public audiences, Electra perceived these "*public audiences as an opportunity [...] to put pressure to turn the regulation in their favour"* (Electra's Superintendent of Regulation). Therefore, Electra understood the importance of these public audiences as a *'stage'* for pushing its own agenda in the regulatory rules. Electra had a clear strategy that the firm must participate in all public audiences by presenting arguments and challenging the regulations that would affect the performance of the organisation.

Moreover, Electra engaged in relational work aimed at articulating new collaborative relations in the Brazilian Electricity sector (Bertels, Hoffman, & DeJordy, 2014). Specifically, Electra formed alliances with other Brazilian electricity companies and/or with the Brazilian distribution companies' association (ABRADEE) to "*prepare combined pledges to take part in the regulation-setting process*" (Electra's CEO) in order to influence the regulatory rules. Indeed, the literature on institutional work shows that the articulation of collaborative relations may be an effective way to negotiate new institutional standards/regulations (Helfen & Sydow, 2013).

The regulatory area of Electra was responsible for creating taskforces to negotiate with the Regulator and/or taking part in public audiences. In this way, the Regulatory area requested the participation of management accounting functions of the organisation in this process. With the aim of influencing regulation, management accounting information was used to express the organisation's position and interests in order to persuade the regulator. Therefore, a number of management accounting practices, such as financial forecasting, financial indicators, and cost information were used by Electra to back up its efforts to persuade the Regulator to accept its claims.

Electra's management accounting functions were particularly implicated in its attempts to influence the regulations regarding the tariff review process. For instance, management accounting information played an instrumental role in Electra's efforts to shape regulation regarding the regulatory asset base (RAB), which was an important part of the tariff review process. The Regulator proposed it would adopt the historical cost approach (instead of the replacement cost approach) to determine the regulatory asset base (see public audience no. 052 in 2007). Electra together with ABRADEE (the distribution companies' association) opposed the regulator's plan for asset valuation, pointing to the divergence between the replacement cost approach and the historical cost approach. In addition, they argued that the utilisation of the historical cost approach was a radical modification in the regulatory framework, and this could generate a regulatory risk for the Brazilian electricity sector. Electra's management accounting team took part in this pledge by providing financial forecasts of the impact of this change in regulation on the future performance of the organisation and by providing technical explanations of the differences between these two methods of assets valuation. Electra's management accounting team worked closely with Electra's Superintendency of Regulation to prepare an extensive document with financial and non-financial arguments to support this pledge against use of the historical cost approach. By the end of this public audience period, ANEEL (ANEEL technical note no. 456/2008) accepted Electra's pledge and decided to use the replacement cost approach based on the current market value instead of the historical cost method.

7. General discussion and conclusion

This paper set out to explore how management accounting was implicated in the strategic management of the company-government relationship. Drawing on institutional work and CPA literature, and in particular on Oliver and Holzinger's (2008) framework, we explored the antecedents and emergence of CPA in our focal company, and identified and explained four roles that management accounting played in supporting the organisation's relational work.

We found that our focal company developed a relational work strategy (CPA) aimed at managing regulatory demands and influencing general regulatory rules and specific regulatory decisions. In doing so, Electra developed a new business model to obtain 'high' performance within the Brazilian '*trial and error*' regulatory system. The rationale behind the conceptualisation of CPA in Electra came from its weak financial situation. Thus, this financial situation in combination with Electra's *second privatisation* provided the basis for Electra's strategy, *maximising financial performance despite being constrained by regulation*. For the organisational members, the company's engagement in CPA was the *most important* action undertaken by the firm to improve its financial performance over the years. Indeed, the organisation's profit jumped from 77 Million Brazilian Reais (BRL) in 2004 (year that CPA was implemented) to 466 Million BRL in 2008, an increase of about 500% (see figure 3).

---------- Figure 3 to appear here ----------

Specifically, Electra engaged in CPA in order to manage the regulatory environment for its benefit. We show that this approach was particularly relevant in an environment that was unstable and underdeveloped, and in which the government had a strong influence (Marquis & Raynard, 2015). Such a context posed a significant challenge for the company. Thus, we propose that where a regulator's involvement is pervasive, coercive ('carrot and stick' type), and unpredictable, the management of regulation may become critical to an organisation's ability to gain and obtain 'high' performance (Peng et al. 2008, Marquis & Raynard 2015).

In this paper, we shifted the focus away from the assumption that the external institutional environment solely provides a 'cost' or an institutional constraint on firms. Instead, we suggest that it may also be seen as an opportunity to enhance companies' performance. Firms might be motivated to maintain and/or create value in political environments (Girschik, 2020; Marquis & Raynard, 2015; Oliver & Holzinger, 2008). Indeed, we found evidence that our focal organisation's CPA had the primary goal of maintaining and creating value, which was expressed in terms of *maximising financial performance in spite of regulation*. In the context of our case company, where the regulatory environment was unstable and underdeveloped, and at the same time coercive, we found that the organisation applied *compliance* and *influence* strategies concomitantly in order to create value in the regulatory environment. We then showed that the organisation applied four (*reactive, anticipatory, defensive,* and *proactive*) types of strategies. Interestingly, Oliver and Holzinger (2008) suggested that these four types of strategies are distinct, and a firm will typically not use more than one type of strategy concurrently. However, challenging this perspective, we found that our focal company used a combination of strategies simultaneously. This might be related to contextual factors, so when an organisation operates in an unstable, underdeveloped, and coercive regulatory environment (such as the Brazilian regulatory system), a firm may use a multiplicity of political strategies in order to create value. We thus suggest that the diverse institutional conditions of our focal setting may add to the theorisation of CPA. As noted by Scott (1995, p. 146): "it would be difficult, if not impossible, to discern the effects of institutions on social structures and behaviours if all our cases are embedded in the same or very similar contexts". Consistent with this argument, this study contributes to the literature by highlighting the critical impact of context on the nature and role of CPA.

Turning now to the literature on the role of management accounting on the firm-government relationship, our findings make an important contribution by providing detailed insights into how management accounting is implicated in relational work (CPA). The literature has suggested that management accounting might act as a resource in institutional work (Englund & Gerdin, 2018; Hiebl, 2018). However, the literature has neglected the potential role played by management accounting in the strategic management of government agencies (Chiwamit, et al., 2017; Modell, 2014). Addressing this limitation, this paper contributes to the literature by identifying four roles (see figure 1) that management accounting may play in organisations' attempts to engage in CPA, namely; Management accounting used to: *(i) Ensure that the organisation quickly fulfils all statutory and regulatory obligations in relation to accounting, regulatory reporting, and other regulatory compliance; (ii) Ensure that the potential impact of emerging developments in the regulatory and legislative landscape on the organisation are understood; (iii) Scrutinise, challenge, and question regulatory decisions with the aim of thwarting or reversing unwanted regulatory actions against the organisation; and (iv) Express the organisation's views and interests in order to persuade the regulator*. We found that these four roles were intertwined with the (*reactive, anticipatory, defensive, and proactive*) political strategies adopted in our focal company. This suggests a reciprocal relationship between management accounting functions and organisational political strategies (i.e. that management accounting influences and is influenced by CPA).

In this paper, we also shed light on the dichotomy of *passive* vs. *active* responses to exogenous pressures (e.g. regulatory pressures) (Abernethy & Chua, 1996). Compliance with regulations is normally associated with a more passive response from organisations to the external institutional environment (Ahrens & Khalifa, 2015; Hooks & Perera, 2006; Modell, 2001). However, our findings show that management accounting was used as a way to support the organisation to actively comply with the regulations with the intention of obtaining as much value from such compliance as possible. Our case company sought compliance leadership by improving its internal practices (including management accounting practices) to be able to develop verifiable processes, data integrity, and rapid information access and retrieval in response to regulatory demands. We thus demonstrated that the use of management accounting to comply with regulation was an active move made by our focal company to improve organisational performance.

We also showed that Electra designed and assembled its management accounting practices to support the company in influencing regulatory decisions and regulation. Additionally, Electra's management accounting practices were used to challenge regulatory decisions and promote decisions that were more favourable to the organisation. We found that our focal organisation had the opportunity and ability to assemble a business model and management accounting practices that were capable of influencing and obtaining benefit from a fragile Brazilian Electricity sector regulatory system. Therefore, our findings and discussions suggest that the dichotomy between *passive* and *active* responses is not as clear as has been portrayed in the management accounting literature. Instead, we suggest that *passive* and *active* responses to external pressures may be intertwined. In this way, the concept of value creation/maintenance might be more relevant than the passive/active dichotomy in explaining the role of management accounting in the firm-government relationship, as *compliance* and *influence* strategies may be blended, and thus work in an integrative and dynamic way.

The ‘age’ of our data could be raised as a concern in terms of whether our data is still relevant in the current business/institutional environment. As Stolowy (2017, p. 415) explains, older data (defined as data that is more than ten years old) should be considered as appropriate/relevant “if the paper is based on private/specific/original data that date from several years ago but for which the phenomenon being studied is still of current interest”. This is exactly the case for our study. The academic research focusing on Corporate Political Activity (CPA)/Relational Work has consistently increased in the last few years (Wrona & Sinzig, 2018), and practical evidence has shown that CPA is on the rise around the world (Greiner & Lee, 2020). Therefore, while “CPA is a pervasive phenomenon and an essential part of everyday business that has been increasingly recognized by the mainstream literature on business strategy” (DeMello, 2020, p. 22), management accounting literature has paid scant attention to the relationship between CPA and management accounting (Modell, 2014). This is the gap that our study addresses. Moreover, we conducted a supplementary analysis on documents[5] about Electra’s tariff review processes in 2013 and 2017. We found that CPA was still an important factor in influencing and managing regulation. For instance, we identified that Electra challenged/questioned 15 and 19 regulatory tariff-related decisions in 2013 and 2017, respectively.”

We identify two potentially interesting areas for future research. First, further research may enhance understanding about contextual factors affecting relational work/CPA and how CPA is socially constructed in different organisations. Leaders facing high environmental uncertainty may draw on new management practices to support decision making and their

[5] Technical Note no. 134/2013–SRE/ANEEL; Technical Note no. 96/2017-SGT/ANEEL; Technical Note no. 0038/2017-SRD/ANEEL; Technical Note no. 95/2017-SGT/ANEEL; Technical Note no. 133/2013-SRE/ANEEL; Technical Note no. 109-SGT/ANEEL; Electra’s Presentation Notes for the 3rd tariff review process on the 28th February 2013.

strategies; it is important to look at how the motivation for adoption and the social construction of strategy and performance affect implementation (Modell, 2019). Second, this paper has identified four roles played by management accounting in relational work. However, further research may explore and identify other roles that management accounting might play as a political resource in firms' CPA. We believe that our understanding about how management accounting is implicated in CPA is at a nascent stage.

In summary, our study has identified how management accounting may support relational work (e.g. CPA). Furthermore, we showed that management accounting may be simultaneously involved in *compliance* and *influence* strategies in order to maintain and create value for a company. Finally, we suggest that contextual factors may be critical in the theorisation of Corporate Political Activity.

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Table 1 – List of Interviews

Date	Function	Organisation	Length
31.03.08	Head of the accounting department	Electra	1h36m
05.04.08	Former superintendent of planning and control	Electra	51m
08.04.08	Head of the planning and control department	Electra	1h12m
09.04.08	Former head of the planning and control department	Electra	51m
11.04.08	Former superintendent of control and finance	Electra	46m
17.04.08	Former head of the accounting department	Electra	1h
24.04.08	Manager of the planning and control department	Electra	25m
24.04.08	Manager of the planning and control department	Electra	1h4m
28.04.08	Manager of the planning and control department	Electra	30m
30.04.08	Manager of the planning and control department	Electra	42m
14.05.08	Manager of the internal control department	Electra	1h
28.05.08	Head of the accounting department	Electra	1h6m
03.06.08	Superintendent of planning and control	Electra	1h
13.06.08	Manager of the commercial department	Electra	1h35m
16.06.08	Manager of the planning and control department	Electra	1h15m
16.06.08	Head of the network expansion department	Electra	50m
17.06.08	Head of the commercial and billing department	Electra	1h
17.06.08	Head of the receivables recoveries	Electra	1h32m
19.06.08	Former director of operation	Electra	1h25m
19.06.08	Superintendent of finance and investor relation	Electra	1h5m
20.06.08	Superintendent of regulation and tariff	Electra	1h35m
25.06.08	Manager of the planning and control department	Parent company	3h40m
26.06.08	Former administrative director	Electra	1h40m
02.07.08	Engineering superintendent	Electra	1h20m
03.07.08	Manager of the planning and investment department	Electra	1h05m
04.07.08	Head of internal audit department	Electra	1h45m
08.07.08	Head of the electric system engineering and maintenance department	Electra	50m
08.07.08	Head of system operation department	Electra	1h
09.07.08	Commercial and Market Superintendent	Electra	50m
10.07.08	Head of the consumers relation department	Electra	40m
10.07.08	Head of the Marketing department	Electra	2h20m
15.07.08	Superintendent of economic and financial oversight	Regulator	1h45m
16.07.08	Superintendent of economic regulation	Regulator	1h40m
17.07.08	Member of the association of accountants of the Brazilian electricity sector	ABRACONEE	1h15m
21.07.08	Head of the corporative consumers department	Electra	1h30m
07.08.08	Director of planning and control	Holding Company	1h
08.08.08	President of the association of accountants of the Brazilian electricity sector - ABRACONEE	ABRACONEE	1h15m
08/08/08	Two president's advisers who were involved in the Electra's privatisation	The Brazilian Development Bank	1h30m
11.08.08	President's adviser	ABRADEE	1h20m
11.08.08	Former superintendent of engineering	Electra	1h10m
13.08.08	Former president – CEO	Electra	1h
13.08.08	Economic and finance director	ABRADEE	45 m
25.08.08	Manager of the management department	Electra	1h5m
27.08.08	Manager of the supply department	Electra	1h15m
28.08.08	President – CEO	Electra	1h10m
02.08.08	Superintendent of human resources	Electra	1h30m

02.09.08	Former director of electric administration and present director of economic regulation of the State regulator	Electra and the State Regulator Agency	2h5m
03.09.08	Former superintendent of finance	Electra	2h30m
03.09.08	Head of the economic and financial regulation department	Electra	1h30m
05.09.08	Superintendent of operation	Electra	1h15m
Summary	**50 interviews**	**8 organisations**	**64.08 hours of interviews**

Figure 1 – Oliver and Holzinger's (2008) framework
Source: Oliver and Holzinger (2008, p. 506)

		Value perspective	
		Value maintenance	**Value creation**
Strategic orientation	**Compliance**	**Reactive strategy** Focus: Internal capabilities Examples: - Developing efficient pollution control processes to meet standards - Rapidly realigning structures	**Anticipatory strategy** Focus: Internal capabilities Examples: - Establishing best practices in anticipation of public policy change - Hiring government experts
	Influence	**Defensive strategy** Focus: External capabilities Examples: - Lobbying to increase entry barriers - Actively advocating the status quo	**Proactive strategy** Focus: External capabilities Examples: - Redefining constituents' norms - Establishing standards that redefine current legislation

Figure 2 – Relational work (CPA) and Management Accounting in Electra

Type of Political Strategy	Electra's Political Action	Management Accounting (MA) Roles	Examples of MA Practices Used
Reactive Political Strategy Actions undertaken to align Electra's internal processes with regulatory demands.	- Reconfiguration of internal processes to quickly respond to regulatory demands and changes; - Investment in resources, training, and skills to accelerate and improve compliance with regulation.	Management accounting used to ensure that the organisation quickly fulfils all statutory and regulatory obligations in relation to accounting, regulatory reporting, and other regulatory compliance (including operational compliance).	- Performance measurement system (Regulatory KPIs); - Regulatory financial reports; - Internal control system (Normative Management System – SGN)
Anticipatory Political Strategy Actions undertaken to improve performance by anticipating future regulations.	- Hiring ex-government experts; - Regulatory landscape scanning;	Management accounting used to ensure that the potential impact of emerging developments in the regulatory and legislative landscape on the organisation are understood.	- Budget analysis (MPE - The Economic and Planning Model); - Performance measurement system (KPIs forecasting).
Defensive Political Strategy Actions undertaken to thwart or reverse unwanted regulatory decisions.	- Influence specific regulatory decisions affecting the organisation; - Activating social networks (e.g. consultants, lawyers, suppliers and former employees) to defend current regulatory rights.	Management accounting used to scrutinize, challenge, and question regulatory decisions with the aim of thwarting or reversing unwanted regulatory actions against the organisation.	- 'Mock' regulatory report (variance analysis); - Regulatory tariff report review; - Financial forecasting (e.g. cash flows, capital expenditures).
Proactive Political Strategy Actions undertaken to shape and influence regulation and regulatory decisions.	- Cooperation with regulator to create new regulations; - Alliance formations to influence regulation and regulatory decisions.	Management accounting used to express the organisation's views and interests in order to persuade the regulator.	- Financial forecasting (e.g. cash flows, ROI analysis); - Forecast of KPIs (financial and non-financial indicators); - Cost System information.

Figure 3 – Electra's Profits/Losses from 1999 to 2008
Source: Electra's Accounting Statements