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# The Unfolding Rationales Surrounding Management Accounting Innovations: A Balanced Scorecard Case

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# The Unfolding Rationales Surrounding Management Accounting Innovations: A Balanced Scorecard Case

**Purpose** – The Balanced Scorecard (BSC) possesses an inherent duality, as it has been described as a carrier of institutions (i.e., the BSC is a 'management ideology' or 'mode of thinking') and a flexibly interpretive boundary object at the same time. As such, we examine how this inherent duality of the Balanced Scorecard may influence the unfolding rationales surrounding its implementation and use.
**Design/methodology/approach** – Empirical support for this investigation is gathered from an in-depth field study. Our focal firm is a Brazilian electricity distribution company that transitioned from state to private ownership under hyper-regulation, and whose holding company experienced strategic and structural changes.
**Findings** – We identified a misalignment between the characteristics of the firm (e.g., organizational logics) and the perceived BSC features. This misalignment initially produced tensions and institutional logics complexity for the organization forcing the BSC implementers to rationalize it to provide meaning regarding the BSC's implementation in the firm. We then explain why and how the promoters of the BSC conducted its 'strategy of translation' in order to disentangle and reassemble both the material and symbolic components of the BSC to facilitate its implementation and use. We found that promoters of the BSC engaged in contextualization work, which featured two main actions: a combination of coupling and selective decoupling; and a change of meaning.
**Originality/value** – This paper advances our understanding of the process of the unfolding rationales surrounding management accounting innovations (e.g., the BSC). We show that the BSC unfolds in more complex, time-related, and simultaneous ways than has previously been reported in the literature. Moreover, we explain how the management's rationales, relating to their historical understanding, perception of legitimation needs and social skills, contributed to the continuous unfolding of the BSC. We also identify four potentially interesting areas for further research.

**Keywords** Balanced Scorecard, Institutional Logics, Translation, Practice Variation, Management Accounting, Innovations.
**Paper type** Research Paper

## 1. Introduction

Several accounting studies about the implementation of innovations have focused on practice interpretation and redefinition during the diffusion process (e.g., Quattrone and Hopper, 2005; Cooper and Ezzamel, 2013; Cooper *et al*., 2019; Gooneratne and Hoque, 2021). In general, these studies show that ideational constructs are not easily diffused and institutionalized without a process of unfolding of rationales (Robson and Bottausci, 2018). This implies that innovative managerial practices may perform multiple roles and unfold continuously as a consequence of the constantly changing rationales for their use (Busco and Quattrone, 2015). However, as we still have much to learn about what happens in organizations when new practices are adopted (Ax and Greve, 2017; Cooper *et al*., 2019), researchers have called for further studies aimed at gaining a better understanding of how the continuous unfolding rationale for the use of a management accounting innovation intertwines with its ability to engage users in practice (Busco and Quattrone, 2015; Chiwamit *et al.*, 2017).

Management accounting innovations have been legitimized by 'gurus' (Cooper *et al.*, 2017), and promoted by consultants (Becker *et al.*, 2020), and are touted as possessing the capacity for universal application (Cooper and Ezzamel, 2013). In the case of the Balanced Scorecard (BSC), its capability of adaptation and customization to a company's idiosyncratic elements may constitute one of the major reasons for its success and popularity (Cooper *et al.*, 2017). However, the BSC's 'interpretive viability' (Ansari *et al.*, 2010) often creates a sense of incompleteness, vagueness and confusion (Jørgensen and Messner, 2010). Exploring this issue, Busco and Quattrone (2015) found that the rationales for the BSC's implementation are constantly unfolding, that is, the means (*how)* and ends (*whys)* of the BSC's use is always in flux (Quattrone, 2015).

In contrast, the BSC has been described in a more static way, as a 'management ideology' or 'mode of thinking' (Cooper and Ezzamel, 2016; Modell, 2012). Cooper and Ezzamel (2016, p. 203) state that the BSC helps "to construct and institutionalize specific ways of seeing and to spell out some of the economic, social, political and cultural effects that result from these ways of seeing and understanding". This implies that organizational members may associate the BSC with a specific way of seeing and understanding economic, social, political and cultural interactions, and this association might impact upon the BSC's implementation and use in an organization (Hoque, 2014). Studies have long-documented that field-level and institutional pressures may shape organizational actions and the development of new practices (Greenwood *et al.*, 2011). Moreover, the implementation and use of a practice is historically and contextually bound (Gerdin, 2020). As such, innovations may be potential carriers of institutions, that is, innovations are inscribed with beliefs, meanings and symbols (Scott, 2008). Therefore, innovations (e.g., the BSC) may have an inherent duality. They "are actors in […] as well as carriers of institutions" (Jones, 2019, p. 388).

Drawing on such arguments, we contend that this duality bounded by historical and contextual idiosyncrasies might be an important mechanism in the unfolding of rationales surrounding the implementation and use of an innovation (e.g., the BSC) at an intra-organizational level. Busco and Quattrone (2015) point out that research has focused almost exclusively on users' impact on the BSC (i.e., human agency) or how external/contingency factors explain the BSC's multiplicity of functions. We argue that this dichotomy has held back a broader understanding of the process of unfolding rationales surrounding management accounting innovations.

As such, this paper aims to explain how the inherent duality of the BSC (i.e., the BSC as a flexibly interpretive boundary object and an institutional carrier at the same time) may influence the unfolding of rationales of the Balanced Scorecard at the intra-

organizational level. In order to allow us to achieve this goal, we carried out an in-depth field study in a Brazilian electricity distribution company that implemented the BSC. Our focal firm, called Electra for confidentiality reasons, evolved from state to private ownership under stiff regulation. As a consequence, a number of managerial turnarounds brought about structural and strategic changes in the firm. Specifically, the case organization and its wider context featured a developing economy, a firm transitioning to a regulated private monopoly market, and a holding company experiencing strategic and structural changes.

To theorize about the influence of the interactions among contextual factors, human agency, and the perceived characteristics of the BSC on the unfolding of rationales, we draw on a combination of institutional logics (Thornton *et al.*, 2012) and translation (Latour, 1987, 1996, 1999) approaches. The institutional logics literature guided us to attend to the influence of social structures on the meaning construction of a new practice, while the translation perspective gave us a way to theorize on how a practice is in flux during the implementation process (Modell *et al.*, 2017; Waldorff, 2013). This theoretical framing allowed us to tease out the extent to which organizational actors develop a network in translating the BSC into day-to-day organizational activities and, hence, to explore the social negotiation of meaning (Friedland, 2018). In doing so, we show how the management's rationales, relating to their historical understanding, perception of legitimation needs and social skills, contributed to the continuous unfolding of the BSC. We found that the BSC unfolds in more complex, time-related, and simultaneous ways than has previously been reported in the literature. Specifically, we identified a dynamic 'strategy of translation' (Latour, 1987) enacted by the BSC promoters comprising three main actions: (a) the *disentanglement* of the client-orientation and the focus on competitive markets features of the BSC that were perceived as incongruent with the organization; (b) the *change of meaning* of the BSC, as implementers 're-branded' it as a 'management accounting' tool, instead of an 'operational' or 'for all organization' system; (c) the BSC's *coupling* and *selective decoupling*. The implementers of the BSC in our focal company concomitantly combined the BSC with Electra's existing Performance Measurement System (PMS) creating a multiplicity of systems, while reducing the depth and scope of the BSC for operational managers. Moreover, we shed light on how our approach may add to the theorization of the diffusion of management accounting innovations, in particular with respect to the role of social structures in meaning construction and outcomes during practice implementation.

The remainder of this paper is organized as follows; Section 2 examines our theoretical framing, rooted in the literatures on practice implementation/adaptation, institutional logics and translation. Section 3 addresses our research design and data analysis. Then we describe our research setting, and the performance measurement system [PMS] implemented prior to the BSC. In section 5, we examine the unfolding of rationales surrounding the BSC in our focal company. Finally, we discuss our results, describe the contributions of our study, and make specific suggestions for future studies.

## 2. Theoretical framing

### 2.1 Institutional logics

Institutional logics have been defined as "the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social realities" (Thornton and Ocasio 2008, p. 101). As a result, institutional logics shape cognition and guide decision making by helping organizational actors to focus on a limited set of factors and solutions that are consistent with the prevailing logics

and that determine salient issues and problems (Friedland and Alford, 1991; Thornton, 2002).

Previous research has addressed institutional tension as a consequence of the incompatibility of competing logics – i.e., institutional logics complexity (Greenwood, *et al.*, 2011; Kodeih and Greenwood, 2014). As noted by Lounsbury (2007), fields are comprised of multiple logics, and hence, practice variation is explained by differences in cognitive orientation and through debating which are appropriate practices to adopt. As a result, heterogeneity and agency arise from contradictions between the logics of different institutional orders, which provide multiple sources of rationality (Guerreiro *et al.*, 2012).

The institutional logics approach thus sheds light on practice variation and usage by focusing on how practices are shaped by institutional logics (or institutional complexity). Institutional logics then provide a sociologically based approach to tease out the role of the macro-context and meaning construction related to practice implementation (Currie and Spyridonidis, 2015). Moreover, the institutional logics approach has repeatedly emphasized the importance of understanding practice implementation as an institutionally embedded phenomenon (Modell *et al.*, 2017); i.e., the idea of path dependence (practice implementation may be historically contingent on social embeddedness).

The influence of institutional logics on practice implementation has also been consistently examined in the management accounting literature (Sujeewa and Tharusha, 2017). Research on management accounting and institutional logics has provided evidence that management accounting practices diffusion may be a result of institutional logics (or logics complexity) at play (e.g., Ezzamel *et al.*, 2012; Rana and Hoque, 2020); and/or management accounting practices might be used to balance elements of multiple logics (e.g., Carlsson-Wall *et al.*, 2016; Dai, *et al.*, 2017; Gerdin, 2020). Therefore, institutional logics may enable, constrain and/or influence how a management accounting innovation (e.g., the BSC) is transferred from one context to another and how this innovation is used inside an organization.

### 2.2 Translation – Actor Network Theory (ANT)

According to Latour (1999, p. 179), translation means "displacement, drift, inventions, mediations, the creation of a link that did not exist before". This notion of translation emphasizes that a practice does not evolve as an outcome of a linear development path, but is reshaped and modified along its diffusion (Quattrone and Hopper, 2001; Van Grinsven *et al.*, 2016).

The transformation during the process of translation affects the practice as well as the interests and characteristics of actors involved in the practice (Wæraas and Nielsen, 2016). This implies that investigation of practice translation also means analyzing how people's interests are shaped and how attempts are made to persuade potential skeptics about the merits of the new practice (Latour, 1987). Czarniawska and Sevón (2005) indicate that agents translate innovations to fit the distinctive needs in a specific, ever changing context (Spicer, 2006). As a political process, translation is also illustrated by Morris and Lancaster (2006) who show that it may be used as a strategy by managers to manipulate employees' interests and persuade skeptics of the benefits of a given practice. Latour (1987) coined this phenomenon 'strategies of translation'. The political process of practice translation also involves a '*brand*' status, associated with professionalism (Brunsson *et al.*, 2012). As noted by Lounsbury (2002), organizational actors making claims of professionalism usually connect their activities to a 'credible' body of expert knowledge. Therefore, the translation of innovations may also be linked to the pursuit of professionalism (or the desire to appear professional). In the management field,

professionalism constitutes a belief system grounded in high-profile, state-of-the-art expertise that enables managers to perform their activities and tasks (Shafer *et al.*, 2002).

Consequently, a management accounting innovation (e.g. the BSC) is never a ready-made package to be implemented, as the practice is constantly shaped and reshaped when it diffuses from one setting to the next (Justesen and Mouritsen, 2011). Indeed, Qu and Cooper (2011) analyzed the process of inscription building performed by organizational actors and consulting firms to accommodate local specifics to make the Balanced Scorecard acceptable. Busco and Quattrone (2015) also explored the translation of the Balanced Scorecard by articulating the visual power of accounting inscriptions in order to explain how the Balanced Scorecard engages and unfolds in an organization. They found that the rationales for the BSC's implementation are constantly unfolding.

### 2.3 Combining approach: institutional logics and translation

Practices and logics are always subject to continuous power struggles and translations (Quattrone, 2015). Indeed, Lounsbury (2008, p. 357) argues that "there is always change occurring" even within what might seem to be a constraining institutional environment and, hence, he suggests a combining approach between institutional logics and translation based on actor-network theory (ANT) (see also Ezzamel *et al.*, 2012; How and Alawattage, 2012; Mennicken, 2008). While institutional logics literature draws attention to overarching belief systems which can be mobilized and attributed to practices for legitimacy reasons, the concept of translation may supplement institutional logics analysis of evolving social phenomena, as it contributes a more detailed and process-oriented understanding of the way in which social meanings are mobilized and gain support in the practice implementation process (Waldorff, 2013).

Even though institutional logics may influence how a practice is transferred from one context to another, we are far from subscribing to the deterministic view of the implementation process of a MA practice. Institutional logics may be lacking in dynamism (Quattrone, 2015), and may be unable to explain the bottom-up microprocesses of institutionalization that influence institutional persistence (stability) or change (Purdy *et al.*, 2019). As a result, Quattrone (2015, p. 414) expresses the need to "reengineer the notion of logic to adequately account for institutional complexities and their continuous process of translation". This implies treating practices and logics without seeing them as externally specified and self-evident (Brannen, 2004). Indeed, institutional logics are not fixed parameters with universal applicability. Instead, they depend on organizational actors' interpretations. Institutional logics are not inherently conflicting or complementary, but organizational actors can perceive them in this way (Smets *et al.*, 2015). Multiple logics produce internal conflict in some organizations but become seamlessly blended in other firms (Besharov and Smith, 2014). As a result, there are heterogeneous ways in which multiple logics can manifest within companies. Moreover, ANT postulates that implementers are also adapters, tending to find a degree of autonomy in how they translate a management accounting practice within their organization (Latour, 1987). Even in cases where a practice adoption is coercive and hierarchical, it is usual that the implementers will have discretion to adapt the practice, and their unfolding rationales may have a profound impact on the practice's implementation and use (Caron and Turcotte, 2009).

However, ANT tends to downplay the importance of pre-existing social structures on the implementation of a new practice at the organizational level (Robson and Bottausci, 2018). Indeed, Modell (2019, p. 622) suggests the need for "greater attention to social structures" in management accounting research. Moreover, the general literature

on performance measurement systems has highlighted the importance of the concept of path-dependence to explain a practice's diffusion (Cooper *et al.*, 2019; Otley, 2016).

Therefore, the integration of the institutional logics approach and the translation literature strengthens the view that practices and logics are social constructions, instead of a stable set of beliefs and assumptions. In this way, we assume that management accounting innovations (e.g., the BSC) are not simple "institutional carriers, but flexibly interpretive boundary objects" that interact with other practices and humans (Jones, 2019, p. 388). This discussion leads to the research question that motivated this study:

*As the Balanced Scorecard (BSC) is a flexibly interpretive boundary object as well as an institutional carrier; how does this duality influence the unfolding rationales surrounding the implementation and use of the BSC?*

## 3. Research design and data analysis

Our aim is to capture a comprehensive, and contextual view of Electra's BSC implementation and use. As such, we collected data from a diverse range of sources: interviews, documents, nonparticipant observations, and informal conversations (see appendix 1). The field study was conducted from April to September in 2008 and comprised fifty semi-structured/face-to-face interviews, totaling 64 hours. To gather data through interviews, a general scheme was prepared, which was then adapted according to the interviewee's function and organization. The interviews began by asking each interviewee to briefly explain her/his background, current job and employment history. Then we addressed issues related to the focus of our study and raised questions about their personal experience, how the BSC was implemented and used in the organization, as well as the perceived impact of the BSC on both their tasks and on the company. We also questioned interviewees about organizational changes throughout the years before and after privatization, the organizational culture, the rationale for decision-making processes and the influence of regulation on their decisions and activities. An additional set of questions were asked to staff involved in implementing, designing, and customizing the BSC in Electra. The main aim of these questions was to tease out the BSC's implementation process in the company. Interviews with external organizations (e.g., the parent firm, holding company and regulator) were conducted to examine the functionality and idiosyncrasies of the Brazilian electricity sector, as well as to identify key values and beliefs in the field.

Besides generating data from interviews, we also collected documents from Electra, its parent company, the holding company, the regulator, and the Brazilian electricity distribution companies' association (ABRADEE) (see appendix 1). The analysis of these documents was particularly useful to triangulate data from the interviews (Silverman, 2014), as well as to understand the wider organizational contexts which witnessed the implementation of the BSC.

Non-participant observations and informal conversations also constituted data sources. Field notes were taken based on several informal conversations and non-participant observations. Immediately following each relevant conversation or field observation, the following information was recorded: (a) who was present at the conversation/observation; (b) where and when the conversation/observation took place; (c) relevant issues that resulted from the conversation/observation; (d) the researchers' reflections on the implications of the conversation/observation for the study and how it was similar or dissimilar to interviewees' accounts. One of Electra's monthly performance review meetings with its top management team was also observed, as was the 'introductory week' workshops for new employees. These observations were

particularly useful to understand the company's context and the organizational culture (Silverman, 2014). We were also able to gather data about the dynamics of the planning and control department and analyzed the information available on the company's premises, in particular, information on the organization's notice boards. Informal conversations were particularly important to facilitate the analysis of interviewees' accounts, get proper interpretations of the interviewees' claims, and establish trust with organizational actors (Ahrens and Chapman, 2006).

We adopted the view that theorizing occurs through a process of abductive reasoning, which typically involves a systematic and interactive review of the research data in order to identify sustainable arguments for theorization (Lukka and Modell, 2010). As such, we conducted our data analysis in order to capture the inherent dilemmas, issues, and problems that underpinned the diffusion of management accounting innovations at an organizational level (Cooper and Morgan, 2008). Based on this approach, we first developed broad coding categories, guided by our research interests in management accounting practice implementation and use. Categories were discussed and refined, dropped, or added to ensure that they appropriately reflected the data (Silverman, 2014). Our final coding guide comprised seven research categories (themes): (1) motivation to adopt the BSC in Electra; (2) the BSC's use; (3) the BSC's design and customization; (4) the BSC's implementation; (5) organizational logics; (6) BSC perceptions in Electra; and (7) institutional logics in the organizational field. We also divided these research categories into subcategories. For example, the category "motivation to adopt the BSC" was divided into legitimacy reasons, technical reasons, and the holding company's influence on the decision. This procedure helped us to understand the interrelationships between the different categories and underlying themes in the data (Miles *et al.*, 2014). We then organized our narrative around the identified themes and positioned our findings in comparison to the extant literature in order to discuss the particular contributions of our study.

Arguably, the 'age' of our data could raise concerns about its relevance. As Stolowy (2017, p. 415) explains, older data (defined as data that is more than ten years old) should be considered as 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". We argue that this is the case for our study, as a number of scholars have called for further research on how management accounting innovations (e.g., the Balanced Scorecard) unfold during their implementation and use (Becker *et al.*, 2020; Cooper *et al.*, 2019; Hoque, 2014). Moreover, the 'age' of our data did not pose substantial challenges in terms of theorization due to the flexible nature of the data analysis adopted in this study, as described above.

## 4. The setting

Electra was founded in 1965 when two firms merged to form a state-owned organization. At the macro-level, and as long as Electra was under state ownership, its strategic decisions were dictated by the state governor's office and the state was the provider of the public services, such as electricity and water. Therefore, citizens had the right to receive basic services, which could not be provided on the basis of either profit or an individual's ability to pay for them.

As far as the electricity sector was concerned, the government decided to adopt a policy of expanding the offer of electricity, by increasing the generation capacity with the construction of large hydro plants and by expanding the transmission and distribution grid. The head of the accounting department remarked: "*the engineers only wanted to*

*build and expand the electricity system".* Therefore, during this period, measures to increase the number of connections and electrical networks were emphasized.

The state's overwhelming influence on Electra's decisions set a long-term tradition of external influences and an emphasis on public service. The head of the Supply Department commented: "*during the state control ownership, we had huge political interference*", and "*the main concern for the company was to build […] the electricity grid*" (the head of the Internal Audit Department). As a result, an engineering ethos was considered essential for the fulfilment of the public service obligation (in the case of Electra the expansion of the system – universal service). The public sector culture revolved around engineering and operating imperatives with a strong emphasis on maintaining the appropriate standards of service provision to the consumers and expansion of the electricity system. As a consequence, at the organizational micro-level, Electra was managed by engineers. Specifically, management understood the organizational purpose primarily in terms of an engineering discourse, as the head of the accounting department noted: "*Electra was eminently an engineering company"* and, hence, Electra's staff had the cognitive pressure to behave and operate under the imperatives of the appropriate engineering standards of service. This belief system was based on the assumption that excellence in engineering was critical to achieve organizational success (i.e., the *engineering logic*[1]) (Djelic and Ainamo, 2005; Tyskbo, 2021). Therefore, the company was driven by engineering rather than financial criteria, with the financial performance subservient to the engineering performance. As noted by the Head of Receivables Recovery:

> *"Constructions were more important than financial results; that is, if the company had to build a new distribution line, the company would do it, irrespective of budgetary constraints."*

In 1995, the Brazilian government introduced significant reforms in the Brazilian electricity sector. The rationale for these reforms came from the neo-liberal paradigm and these ideas were globally disseminated by international agencies, such as the World Bank and IMF (International Monetary Fund), which put pressure on countries, especially, developing nations to privatize their utilities companies. These international institutions had a deep commitment to the transfer of public assets to the private sector through privatizations, as the income generated helped service their loans (Thomas, 2006).

These neo-liberal policies were based on a belief that the management of public sector organizations was complacent and inefficient due to a lack of market pressures to improve performance (Harvey, 2005). In this way, efficiency and competition principles were enforced, and the new view was that the sector should expand through private investments (Gwynne and Kay, 2004). The new regulations introduced a price cap, adjusted annually by the rate of inflation plus/minus predetermined amounts, irrespective of the firm's profits. The Brazilian government chose this price-cap policy to give firms incentives to be efficient (Prado Jr. and Silva, 2011). The main features of this policy regarding the Brazilian electricity sector can thus be summarized as the privatization of state-owned companies (whether strategic or not), the end of government monopolies, and a new perspective on the electricity sector as a mere producer of a simple commodity (Thomas, 2006).

In 1996, the Brazilian government set up a regulatory agency, ANEEL, to restructure the power supply sector. ANEEL aimed to improve the quality of the entire industry as

[1] The *engineering logic* has been defined as "a belief system grounded in professional expertise, with a focus on technological features and their advancement, scientific methods, and practices that follow a scheduled process and adhere to traditional engineering methods and specifications rather than needs and insights generated or expressed by customers" (Värlander *et al.*, 2016, p. 95).

well as replacing governmental dominance with the rule of private markets. However, in the Brazilian electricity sector, the neoliberal reforms enforced the creation of private monopolies under regulatory control. In this regulated private monopoly market, ANEEL set the tariffs, guaranteed consumer rights protection and established the quality standards for electricity distribution companies.

In the context of these comprehensive reforms, Electra, which had more than 1.8 million consumers, was privatized in April 2000. Electra was acquired by an economic group formed by two Brazilian companies and a private European electricity firm (here called Energia for confidentiality reasons). Therefore, our case company underwent a transition from state ownership to private ownership in a regulated private monopoly market.

As a consequence of its privatization, the case company's strategy combined subordination to the Brazilian regulatory framework with satisfaction of shareholders' demands. Therefore, Electra's strategy was clear: *maximizing profits while being constrained by the regulation*. The Head of the Internal Audit Department explained this goal:

> *"We had 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."*

Therefore, the engineering dominance had to be balanced with the regulatory demands and the financial performance focus. As such, we observed the emergence of the so-called *regulatory logic*[2] (Jarzabkowski *et al.*, 2009), which requires firms to mitigate the advantages obtained by significant market control (Desai, 2016), and enforces the belief that companies need to "satisfy shareholders whilst also coping with regulatory demands" (Jarzabkowski and Fenton, 2006, p. 635).

Under this *regulatory logic,* Electra's management considered the regulator as its real 'client'. The Head of the Systems Operation Department noted,

> *"The minimum is to comply with the regulations and the maximum is to be perfect. We cannot be below the minimum level stipulated by the regulator (...) Therefore, everything that I do is based on the regulations."*

The Superintendent of Finance and Investor Relations raised a similar point:

> *"Inside an electricity distribution company, the most important area is the regulatory one (...) The regulatory area determines what can and cannot be done. Nowadays, all the managers must understand how the regulatory framework works."*

With a clear strategy of *maximizing profits while being constrained by the regulation*, Electra's new owners enforced considerable changes in the company's processes and structure. As the Head of the Corporate Consumer Department recalled,

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[2] In this paper, we focus on institutional logics at the organizational level (i.e., organizational logics). As such, we draw on a similar understanding of regulatory logic as described by Jarzabkowski and Fenton (2006, p. 635); that is, regulatory logic is related to the belief that a company needs to "satisfy shareholders whilst also coping with regulatory demands". As a result, the regulatory logic calls on "regulated firms to enact both competitive strategies that maximize their shareholder value, and strategies that moderate their competitive position to meet regulatory requirements". The regulatory logic at the organization level is thus distinct from other descriptions of regulatory logic at the field (industry) level, such as the one presented by Hartmann *et al.* (2018, p. 848), which shows that the protection of customers and the financial stability of society are the underlying assumptions of regulatory logic at the field level (see also Lounsbury, 2002; and Thornton *et al.*, 2012 for similar descriptions of regulatory logics at the field level).

*"The operator that came here was a European electricity company [Energia] and (...) important changes were implemented in the way of working."*

Energia deployed its values and processes through Electra. As explained by the Superintendent of Engineering:

*"There was a kind of internalization of Energia's culture, which comprised massive investments, reduction of operational expenses, reduction of labor force, outsourcing, and reduction of hierarchical levels."*

In this context, Energia implemented its management by objectives (MBO) model across the group's firms (see Figure 1). As noted in Electra's 2001 annual report:

*"In 2001, [we] definitively implemented the business model based on Energia's management system. The model was implemented in a participative way with the support of all the employees from different organizational levels in the company (...) [MBO] established annual goals and linked these goals with the employees' and managers' variable remuneration."*

----- Figure 1 to appear around here -----

Electra's PMS (Performance Measurement System) was driven by 10 key performance indicators (KPIs) (see figure 2). As noted by the Head of Planning and Control, the PMS became a reference point for the firm:

*"One of the major virtues of the company was that employees worked to attain objectives. The company had 10 corporate objectives that were established every year. These 10 indicators were known by all of the employees (...) In their day-to-day operations, all employees were guided by these objectives because they had an impact on their variable remuneration."*

----- Figure 2 to appear around here -----

In 2003, Electra enforced weekly performance review meetings. Following up on these meetings, the planning and control department prepared a monthly performance report that was distributed to all departments. Review meetings were scheduled with underperforming departments. The Head of the Planning and Control Department recounted,

*"On a monthly basis, I presented to the company's superintendents the situation of the 10 KPIs with a certain level of richness. I stressed the main deviations and showed outperforming areas. Furthermore, I held monthly [objectives] alignment meetings with all superintendents and all heads of departments."*

In 2004, there was a restructuration of Electra's group. As a consequence, the operation and management of Electra was no longer the responsibility of Energia. The management of Electra passed to the other Brazilian company within the group (a Brazilian Pension Fund). Despite the efforts of the Holding company aimed at modernizing its management controls systems, the investors believed that the previous administration lacked a more financial performance drive, as Electra's group reported significantly lower financial results than those forecasted during the privatization process, mainly due to low tariffs and the reduction of electricity consumption caused by the Brazilian Electricity crisis of 2001/2002[3]. The new administration hired high-profile managers from the Brazilian electricity and finance industries (Holding company's annual report in 2004). Concerning organizational goals, Electra's holding company reinforced the importance of financial performance as the firm's strategic goal in order to

[3] Brazil faced an electricity supply crisis with an imposed rationing of electricity consumption by 20% from June 2001 to March 2002.

address concerns over financial results. As a result, the group's restructuration process "*turbocharged"* (in the words of Electra's former CEO) the strategy introduced after Electra's privatization, i.e., *maximizing profits while being constrained by the regulation*. Electra's former Superintendent of Engineering said:

> *"(...) What happened (...) was that the new management of the holding company had a more aggressive mission and vision (...) for the company."*

While the holding company's CEO commented:

> *"The focus now is to restore the financial equilibrium, to improve the operational margin and the net profit, and to introduce new governance practices."* (Electra's newsletter in September 2004).

By mid-2004, and in the context of the restructuration accomplished within Electra's group, the holding company enforced a standardized organizational structure across the group. Therefore, each firm had a director-president (CEO) and four directors: human resources, finance and investor relations, planning and control, and regulation and tariffs. Furthermore, Electra was organized into seven main superintendencies (human resources, finance and investor relations, operations, engineering, marketing and commercial, planning and control, and regulation and tariffs; see Figure 3). The superintendent of planning and control managed the accounting department and the planning and control department, which were in charge of management accounting information and control. According to Electra's organizational manual, the mission of the planning and control department was "*[to] support top management in the preparation and definition of the company's performance measures and budget targets; to interact with other departments to improve management practices; and to control, analyze and prepare managerial information to support the organization's decision-making process.*"

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

A new unit was also created in the organization (Superintendency of Regulation and Tariff) in 2004 "to facilitate the understanding and compliance of the regulatory requirements by all areas of the organization by disseminating the regulatory culture" (Electra's Organizational Manual). As such, this unit was set to play a key role in fostering Electra's top management's view that the company operated in a regulated private monopoly market and the success of the company depended on the balance between the regulator's requirements and the financial performance of the organization.

Although the regulatory logic became core to Electra, we also observed significant presence of the engineering logic because of the operational standards of service that ruled electricity distribution activities. Therefore, the *regulatory logic* and the *engineering logic* were in place during the enactment of Electra's BSC. Table 1 presents exemplary quotes from the 2008 interviews indicating the presence of multiple (*regulatory and engineering)* logics in Electra during the process of the unfolding of rationales surrounding the implementation of the BSC.

----- Table 1 to appear around here -----

## 5. The BSC in Electra and the unfolding of rationales

Electra's parent company, whose management control system was regarded as the benchmark within the group, had implemented a BSC. The Superintendent of Planning and Control explained:

> *"There is competition among the companies; Electra's parent company always wants to be the best firm. Anything they do, they say it is better than what we do here.*

By mid-2004, as part of the standardization of managerial practices across the group, the holding company decided that Electra had to adopt the BSC in due course. A manager of the Planning and Control Department of Electra's parent company explained:

> *"The company's [Electra's parent company] CEO was a foreign manager who had spent some time at the holding company's headquarters in Europe, where he got familiar with the BSC (...) he decided to implement the BSC in our organization [Electra's parent company] with the support of the planning and control department. After that, the BSC project was presented to the holding company, which decided that all of the group's companies had to adopt it."*

The holding company and Electra's CEO assigned the design and implementation of the BSC to Electra's Superintendency of Planning and Control. At the end of 2004, Electra set up a project team formed by members of the planning and control department and granted them full autonomy over the aims and scope of the firm's BSC. As summarized by the former head of this department:

> *"The implementation of the Balanced Scorecard was led by the Planning and Control Department, (...) which became the main player in the project."*

Therefore, the project team was not involved in the initial decision to adopt the BSC. Furthermore, Electra's BSC project was conducted under an *in-house* approach, with no support from external consultants.

### *5.1. Understanding and providing meaning to the BSC*

Before putting the BSC into use, its promoters first needed to understand the practice and how meaningful and compatible the BSC was for Electra. Indeed, Electra's BSC team analyzed Kaplan and Norton's publications (Kaplan and Norton, 1996, 2001, 2004) and identified the *client-orientation* and the focus on *competitive markets* as distinct BSC features. As such, the project team viewed the BSC as a management practice for firms operating in competitive environments that vie freely for market share. Conversely, and as noted by the former Superintendent of Planning and Control, Electra operated in a private monopoly system. This manager explained:

> *"Electra is a monopolist company. It is a natural monopoly (...) Electra does not need to compete for market share, we have a captive market (...) When we discuss the BSC in regulated utilities, it is necessary to be aware of the BSC's limitations.*

Furthermore, the holding company had established Electra's strategy as one of maximizing profits under the regulatory constraints (i.e., regulatory logic). In this respect, the project team found that the BSC placed customers and market competition (i.e., status in market[4]) as top priorities. The BSC project manager explained:

> *"The consumers want low tariffs, and they will have a good product, but they do not establish the company's revenue (...) the regulator sets the company's tariff, and therefore I believe that the regulator is more important than the consumers to the financial success of the organization."*

Moreover, the version of the BSC published in the books did not address the case of firms operating in a regulated private monopoly system within a captive market. Therefore, the project team raised concerns about the compatibility of the BSC for Electra. As noted by the former Superintendent of Planning and Control:

[4] Status in Market is the rank/position of the organization in relation to its competitors. Status in market is associated to provide "advantages in market competition by increasing its visibility, signifying its quality, and lowering the cost of transactions with its business partners" (Zhao & Zhou, 2011, p. 1435).

> *"The customer perspective is not appropriate for us … Our concept of customer is related to the regulator (…) When I analyzed the BSC, I concurred with its applicability to firms operating in competitive environments. (…) However, I could not see a clear application of the BSC in a regulated utility company. For companies under private monopolistic conditions, in which their revenue depends on the regulator, consumers are not so important in the company's strategy."*

As a regulated firm under the regulatory logic, implementers considered that the BSC did not suit Electra's goals and contexts. Taking this misalignment between the organizational logics and perceived features of the BSC into consideration, the project team highlighted a dissonance between the BSC and the organization. As noted by the diffusion literature, when there is a major incompatibility between the values enshrined in a managerial practice and those of the organization, the new practice will likely be abandoned (Lozeau *et al.*, 2002, Canato *et al.*, 2013). However, this was not the case in Electra. The holding company coercively imposed its decision to implement the BSC across the group and our focal company had to follow this decision, as explained by the Superintendent of Planning and Control:

> *"We need to have the BSC here (…) it is unthinkable that your parent company uses the BSC, and we don't use it."*

With no option to abandon the BSC in Electra, the BSC promoters faced an important question: *If the BSC is misaligned with Electra, how should the BSC be implemented in the firm?* The BSC's promoters in Electra needed to rationalize and provide meaning for its use in Electra in order to subsequently implement the BSC and translate it into the firm's day-to-today activities.

The project team therefore engaged in a process to provide meaning and rationalize the BSC's implementation. This process involved downplaying key BSC elements (e.g., the client-orientation and focus on competitive markets) that were perceived as misaligned with Electra. As such, the BSC team's narrative stressed its effects on organizational performance and, hence, relied on the rhetoric of 'fashion' as well as 'practical' evidence that the BSC was able to enhance firms' performance (Staw and Epstein, 2000). The BSC's project manager noted:

> *"This system [BSC] is spread around the World (…) we see a lot of successful cases with its use."*

Furthermore, the implementation of the BSC could enhance Electra's reputation among its peers in the electricity distribution industry (Cooper *et al.*, 2017) as well as elicit endorsements from independent professionals (e.g., the Association of Brazilian Electricity Distribution Companies, ABRADEE and the National Quality Foundation, FNQ). Therefore, in spite of the BSC's perceived misalignment, the project team embraced a "hope for the best" approach (Brunsson, 2006) and, hence, waited to see whether the BSC would have a positive effect on organizational performance. As explained by Electra's CEO: "*The Balanced Scorecard could provide a more sophisticated control of our costs and performance"*. Therefore, it was hoped that organizational members (operational managers) would initially accept the BSC, resulting in an increase in the BSC's usage and its eventual institutionalization in the organization in the medium/long-term. This hope was conveyed by the BSC project team manager:

> *"It is a matter of maturity. After [the BSC's] implementation, people will understand it, and this will bring about positive results."*

### *5.2. The BSC's enactment*

Concerning the structure of the BSC, the project team addressed issues about the customer perspective and discussed the idea of creating a *regulator* dimension in Electra's BSC. However, they decided to maintain the customer dimension in the firm's BSC. As noted by the holding company's Director of the Planning and Control Department:

> *"As we were still not sure about the appropriateness of the BSC in Electra, we decided not to spend too much time and efforts to customize it. We wanted to implement the BSC and wait for the company's reaction."*

Under these circumstances, Electra's BSC comprised three main characteristics: (1) it was structured in four perspectives: financial, customer, internal business processes and learning and growth; (2) it was based on the cause-and-effect relationships between financial and nonfinancial performance measures; and (3) it focused on setting and communicating the company's strategy. By implementing a version of the BSC with low customization (Speckbacher *et al.,* 2003; Ansari *et al,* 2010; Van Grinsven, *et al.*, 2016), Electra expected to obtain external reputational gains at minimal costs, as external entities (e.g., ABRADEE) endorsed the BSC as a 'best practice' in the field. It was stated in the ABRADEE/FNQ (National Quality Foundation) guideline for the ABRADEE Award: "*many of the winners and finalists of the [ABRADEE/FNQ] award include in their planning process the preparation of strategic maps (...) according to the Balanced Scorecard model*". So, the Head of the Planning and Control Department concluded:

> *"It was important for us to keep the Balanced Scorecard's four perspectives (...) (This) would bring about immediate recognition (from the) external quality auditors (...) and this would raise our chances of getting the ABRADEE/FNQ award."*

Furthermore, the project team engaged with the holding company and Electra's organizational units to ensure support for the adopted version of the BSC. Such a version, the project team argued, "*conformed to the books*" and its design and implementation was "*fast*", as requested by the holding company and noted by the former Head of the Planning and Control Department. Hence, time exerted a significant influence on the structures of control (De Certeau, 1984). By complying with the group's demands, Electra's BSC could help with the standardization of the group's practices. As noted by the holding company's Director of Distribution: *"We had to create a convergence of practices among the three distribution companies of the group, as quickly as possible."* Additionally, the resulting BSC served reporting and communication purposes with the holding company. As shown in Electra's management report: "*The strategic planning committee prepared a proposal for Electra's strategic map in which the strategic objectives were presented in accordance with the BSC's four perspectives*" (see Figure 4).

---------- Figure 4 to appear here ----------

As such, the planning and control department used the BSC as a device to set and communicate Electra's strategies. The BSC's project manager noted:

> *"We disclosed and advertised Electra's strategic map and performance indicators to everybody. By the way, I will present our strategic map to our new employees tomorrow. It is our 'welcome card', so that they can know how their departments and activities fit with the organization's strategies."*

The project team's awareness of Electra's organizational history and understanding of the perceptions of legitimation were instrumental in accommodating differences between the organization's regulatory and engineering logics and the BSC's values of client-orientation and its focus on competitive markets (Cooper *et al.*, 2019). Accordingly, the project team merged the BSC and the PMS, that is, the 10 KPIs that comprised Electra's PMS were reclassified according to the four BSC dimensions (see figure 5). By doing this, the BSC team tried to make operational managers feel "close" to

the BSC and "persuade" them about the causal relationship between operational and financial dimensions. The project team enforced a strategy of merging the BSC's features with those inherent in the engineering logic that remained in the operational areas. They thus fully maintained the BSC's traditional dimensions, using the BSC indicators to produce a combination with the extant PMS and its 10 KPIs. As explained by the Head of the Planning and Control Department:

> *"The firm's corporate objectives were annually established. These indicators were used for monitoring purposes, and they were very important; (...) With the BSC, we just grouped and re-classified these into the four perspectives: financial, customer, internal process, and learning and growth."*

---------- Figure 5 to appear here ----------

Moreover, Electra's operational managers were traditionally critical about the firm's over reliance on financial performance indicators. The Head of the Systems Operation Department expressed this view, saying: "w*e are not a bank (...) we cannot focus too much on financial results"*. As financial performance indicators were also included in the adopted version of the BSC, the project team used its social skills to smooth potential conflicts with the operational areas. Therefore, and to avoid resistance, the BSC was detached from the operational areas and, hence, its scope and extensiveness were significantly reduced (Spicer, 2006; Van Grinsven *et al.*, 2016). As a result, operational members could no longer claim that the four standardized dimensions of this managerial practice neglected the core activities performed by the electricity distribution company.

However, reducing the scope of the BSC for operational managers could jeopardize the use of the BSC as a system to set and communicate the firm's strategy. In order to keep the BSC functional in Electra and secure operational managers' acceptance, the implementers promoted the BSC as a tool associated with a modern management style and the professionalization of the management accounting profession. This association with 'management accounting professionalism' fitted well with the current 'discourse' of '*professionalization*' of Electra. Electra always had a reputation of "*engineering excellence amongst its peers*" (former director of finance and control), but it lagged behind in terms of managerial systems. During Electra's group restructuration period, the holding company promoted the '*professionalization'* of the organization by hiring '*professionals'* from the electricity and finance industries. The whole board of directors was replaced by high-profile managers with considerable experience in the private sector. In addition, the middle-managers and other employees were partially replaced, and some were made redundant. Electra's superintendent of operations explained:

> *"Electra hired new managers to shake up the company (...) and to make it more professional."*

The professionalization of the Planning and Control Department was increasingly recognized by Electra's operational units. As noted by the Head of the Operations Systems Department:

> *"They are very competent (...) the control department is very professional, especially compared with the period before privatization."*

The association between professionalism and the use of the BSC was disseminated throughout the organization by the members of the planning and control department in organizational meetings, presentations and documents. For instance, in Electra's performance management program manual, it was stated:

> *"The Planning and Control Superintendency adopted the Balanced Scorecard methodology to define and implement its strategies. Contemporary research shows that the capacity of a company to implement*

*its strategy is a critical factor for its survival. The Balanced Scorecard is a modern methodology developed by two north-Americans (Kaplan and Norton), which has as its main merit to transform strategies into actions".*

This view that the BSC was a modern 'management accounting tool' associated with the work of the planning and control department was highlighted by a number of operational managers, who perceived the BSC as an important instrument for the planning and control area of the organization, as the Head of the System Operation Department commented:

*"The planning and control department uses the Balanced Scorecard, and in my opinion the BSC is an important management tool for the planning and control department".*

Moreover, traditionally, the strategic planning process was a '*black box'* for Electra's operational managers, as this process was restricted to the planning and control area and some of the top managers of the organization (such as the CEO and CFO), while the operational areas did not often take part in this strategic planning process. As the former Head of the Planning and Control Department commented:

*"The strategic planning did not move upward or downward in the organization, (...) few managers took part in the strategic planning process".*

This lack of involvement of the operational managers with the strategic planning process facilitated the rhetoric that the BSC belonged to the planning and control department, and it was justified by the need to use 'best practices' to increase its professionalism. As a consequence, by associating the BSC with the professionalism of the planning and control area of Electra, the BSC implementers kept it functional in the organization.

In general, we observed an effort by the project team to handle differences with operational managers. This 'strategy of translation' (Latour, 1987) identified in Electra aimed to secure organizational support and approval for the BSC, as well as keeping the BSC functional. Moreover, this strategy of translation was also perceived by the BSC's implementers as useful to increase the reputation of the planning and control department among organizational actors and external parties. The rhetoric around the BSC characterized it as a '*modern*' tool and a '*best practice*' in the organizational field, and as the planning and control department was the one implementing and using the BSC, it would automatically be associated with this department, thus increasing planning and control's reputation in the company. The Head of the Planning and Control Department stated:

*"Look, the Balanced Scorecard is very good for our [planning and control] department. The BSC is a modern tool (...), it enhances the visibility and importance of our department in the organization."*

The *in-house* implementation of the BSC in Electra was also perceived to be a positive aspect for the department's reputation and status in the company. According to the BSC's promoters, an *in-house* implementation of a 'modern' management practice like the BSC would make them look modern and 'more' professional. Therefore, this in-house approach increased the reputational benefits of the 'strategy of translation' adopted by the BSC's promoters, as explained by the BSC project manager:

*"We developed the BSC in-house and we are very proud of that. This showed the maturity of our department (...) we created a new performance system with minimal cost."*

Furthermore, implementing the BSC and promoting the professionalism of the planning and control department were also important to secure the '*status*' of the planning

and control area of Electra among the other companies of Electra's group. As noted by the Superintendent of Planning and Control: *In Electra, our department strove to develop it [the company] to reach the same level as its parent company."*

## 6. Conclusions and implications for further research

We set out to investigate how the rationales surrounding management accounting innovations (e.g., the BSC) unfold at the intraorganizational level. Empirical support for this investigation was gathered from a privatized Brazilian Electricity Distribution Company, which operated in a regulated private monopoly market, and implemented the BSC within the context of a restructuration process. In order to theorize this data, we drew on the institutional logics and translation literatures. This paper provides evidence that the perceived characteristics of the BSC (i.e., the BSC as a flexibly interpretive boundary object and an institutional carrier at the same time); contextual factors (i.e., organizational logics); past events, and human agency (i.e., the practice promoters' interventions) are intertwined mechanisms that influence the implementation and use of a management innovation at the intraorganizational level. As such, we suggest that our study adds to extant research on management accounting innovations (e.g., the BSC) in two specific ways.

First, we demonstrate that the BSC's promoters drew on institutional logics to promote an initial understanding of the BSC, relating this practice to the values and beliefs that mattered most to organizational members at this particular time. Specifically, we discovered that the BSC was first rationalized by the practice implementers who associated it with a system that placed customers and market competition as top priorities. However, this was later perceived as in dissonance with the organizational logics (i.e., *regulatory logic*). As a result, the BSC produced tensions and institutional logics complexity within the organization. This finding is particularly relevant, because it contrasts with recent work in management accounting that suggests that management accounting practices are used to 'manage' multiple logics at play and, hence, might be used to mediate this logics complexity (Dai *et al.*, 2017). We argue that while this might be the case at the latter stages of the practice implementation process (Canato *et al.*, 2013), management accounting innovations (e.g., the BSC) might be a source of institutional complexity, especially in the initial phases of implementation when the implementers need to understand the practice and gauge how meaningful and compatible it is with the organization.

The perceived misalignment between the BSC and Electra's values triggered among the implementers an initial sense that the BSC might not be suitable for the company, generating uncertainties and ambiguity around its implementation. Under the circumstances, the lack of compatibility and coercive implementation of the BSC forced its implementers to rationalize the BSC to *provide meaning* to its implementation in the firm. This action of *providing meaning* occurred through attempts to downplay the features of the BSC that were perceived as incompatible with the organization. As the BSC was perceived to be misaligned with Electra's values, the promoters embraced a 'hope for the best' approach and prospected a potential reputational gain for the company. Therefore, we found that the perceived incongruency between the BSC and the organization was partially resolved by the implementers embracing a 'positive' view of the future (i.e., hope for the best). Hope may thus be a central ingredient for action (Catasús *et al.*, 2016). As such, future research should attempt to learn more about how the mechanisms of hope (Brunsson, 2006) influence the unfolding of rationales during the implementation and use of management accounting innovations over time. Moreover, this finding is also interesting as the literature has traditionally focused on the importance

of acceptance of new practices by its users (Gondo and Amis, 2013), but we found that this *providing meaning* action was also critical to the BSC's acceptance by its promoters prior to its enactment in the organization.

Second, we illustrated why and how the promoters of the BSC conducted its 'strategy of translation' in order to disentangle and reassemble both the material and symbolic components of the BSC to facilitate its implementation and use. We found that the unfolding rationales of a management accounting innovation interacted with its ability to engage the users in practice. As such the rationales surrounding the BSC's implementation and use were in permanent flux. The project team became part of the process (Busco and Quattrone, 2018) and contributed to making the BSC operational at the group level and, hence, to embed it in its processual dynamics (Lounsbury, 2008). Therefore, Electra's BSC became a social construction (Modell, 2019). This finding is consistent with Latour's (1996, p. 150) view that the trajectory of a project depends on the people who do the work of contextualizing it. Specifically, we show an interconnected web of events and actions leading to the implementation and use of the BSC. Leading this 'strategy of translation', the promoters of the BSC engaged in contextualization work (Latour, 1996), which featured two main actions: a combination of *coupling* and *selective decoupling*; *and a change of meaning*.

The *coupling work* involved combining the new practice with a widely accepted practice in the organization (Gond and Boxenbaum, 2013). In this regard, the project team combined the BSC and the PMS, that is, the 10 KPIs that comprised Electra's PMS were reclassified according to the four BSC dimensions. This finding suggests that, in addition to the traditional strategies used to respond to competing logics, namely decoupling, compromising and structural differentiation, the project team enforced a strategy of merging the BSC's features with those inherent in the engineering logic that remained in the operational areas. In doing this, the project team accomplished a second-tier strategy; rather than undermining the traditional BSC dimensions with operational values, the team fully maintained such dimensions and used the BSC indicators to produce a combination with the extant PMS and its 10 KPIs. This finding is also interesting as it illustrates one reason why there may be a multiplicity of performance measurement systems in a single organization operating concomitantly (Cooper *et al.*, 2019). The *selective decoupling* action reduced the scope and extensiveness of the BSC for the operational managers and kept it fully operational for the planning and control area of the organization. The project team played an active role in ensuring that the BSC functioned beyond the symbolic pattern featured by decoupling and, hence, the practice was used in such key organizational processes as the firm's strategic map and the convergence of practices among the three distribution electricity companies of the group. Our results therefore suggest that coercive enforcement of innovative management accounting practices may not result in its abandonment or symbolic use in cases where such innovations are functionally used by an institution or when implementers play an active role in translating the practice in their organization (Latour, 1987)

Finally, the *change of meaning* of the BSC enhanced its perceived usefulness and acceptability in the organization by 're-branding' it. The Balanced Scorecard is widely regarded as a strategic, as well as an operational tool (Cooper *et al.*, 2017). At the operational level, the BSC may be used to support the allocation of resources and establish and control operational strategies and performance; or as Kaplan and Norton (2001) put it, the BSC facilitates making strategy an everyday job. Moreover, the BSC is typically associated with the work of executive and operational managers (i.e. the BSC is a 'for all organization' system). Kaplan (2009) states that both senior-level executive teams and front-line production workers should receive financial and nonfinancial

information. However, the BSC implementers reframed its meaning for operational managers, from an 'operational' or 'for all organization' system (Free and Qu, 2011; Johanson *et al.*, 2006) to a 'management accounting' tool. In order to 're-brand' the BSC, this practice was associated with a modern management style and with the professionalization of the management accounting profession. By invoking the concept of 'professionalism', the implementers of the BSC symbolically associated the BSC with management accounting functions in the organization (Canato *et al.*, 2013). This proved to be an important strategy to increase the BSC's acceptance amongst operational managers. Therefore, under circumstances in which organizational actors experience tension that may lead to resistance to coercive implementations of the BSC, these tensions may be mitigated by engaging in repurposing work by altering the practice's meaning and infusing the practice with "symbolic energy" (Gond and Boxenbaum, 2013, p. 715).

We identify a need for more research in three specific areas. First, the implementation of innovative management accounting practices in firms follows a permanent unfolding of rationales. In our paper, we have examined how the project team networked with stakeholders to ensure that the BSC was not just symbolically used in an exercise of decoupling but engaged in operational, strategic and communication activities. However, our observation period concluded with the implementation of the BSC in our focal firm, which was deemed the first step in an ongoing process. Therefore, further research adopting an even longer observation period, comprising the revision of the initial BSC model and the implementation of the new version could enhance understanding about practice variation in firms. Second, the key features of organizational practices are heterogeneously perceived within firms. Furthermore, as such perceptions are not fixed but evolve across time and space, further research focusing on how organizational actors change their perceptions and how such understandings influence the implementation and functioning of the practices at the intra-organizational level would make a significant contribution to the field (Canato *et al.*, 2013). Finally, we argue that our paper was able to provide theoretical generalizations by using a "thick description to explain observed actions and behaviours, and by the invocation of theoretically grounded analysis and argumentation" (Parker and Northcott, 2016, p. 1119). However, further BSC research addressing some unexplored contexts (e.g., transitional economies, and regulated private monopoly markets) could aim for 'naturalistic generalizations' by focusing "on the transferability of their findings and insights to analogous cases in other settings" (Parker and Northcott, 2016, p. 1119). Such an approach may advance our understanding about the interaction between the unfolding of rationales and contextual factors.

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Figure 1 – Performance Measures Cascading Process in 2002

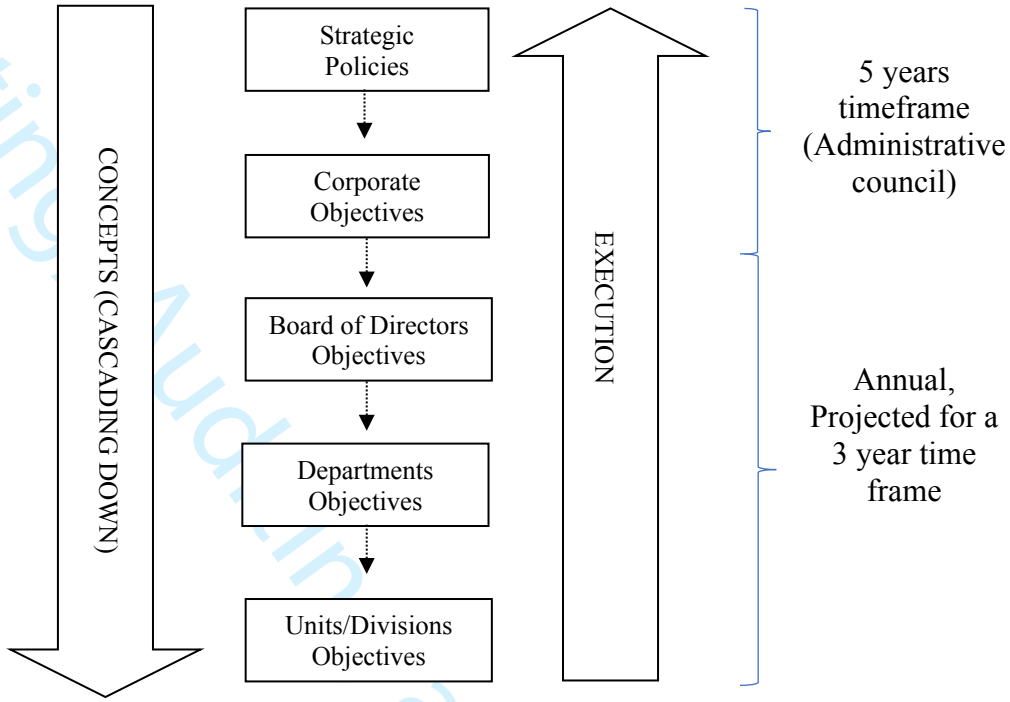

Figure 2 – Electra's 10 KPIs in 2002

| CORPORATE OBJECTIVES | PERFORMANCE MEASURES | |
|---|---|---|
| | KPI's ACRONYM | DESCRIPTION |
| 1. Increase the net profit | LL | Increment percentage over the budgeted value |
| 2. Increase the EBTIDA | EBTIDA | Increment percentage over the budgeted value |
| 3. Improve Revenue collecting index | ICR | Increment percentage over the budgeted value |
| 4. Reduce losses index | $IP_{fat}$ | Percentage of losses divided by revenue |
| 5. Optimize the capital investment plan | PDI | Variations (%) from the capital investment plan |
| 6. Reduce the operational expenditures | RO&M | Reduction percentage over the budgeted value |
| 7. Reduce the frequency of serious accidents and occupational diseases | NST | Reduction in the number of accidents and occupational diseases |
| 8. Improve Electra's ranking in the regulator´s quality survey | GCA | Benchmarking with ABRADEE ranking |
| 9. Ensure the quality of the electricity system | NCC | Equivalent length of electricity interruption per consumer index; and Equivalent frequency of electricity interruption per consumer index |
| 10. Comply with the terms of the concession contract for customer requests | PASC | Percentual of customers' requests fulfilled on time |

Figure 3 – Electra's Organizational Chart after Electra's Reorganization in Mid-2004

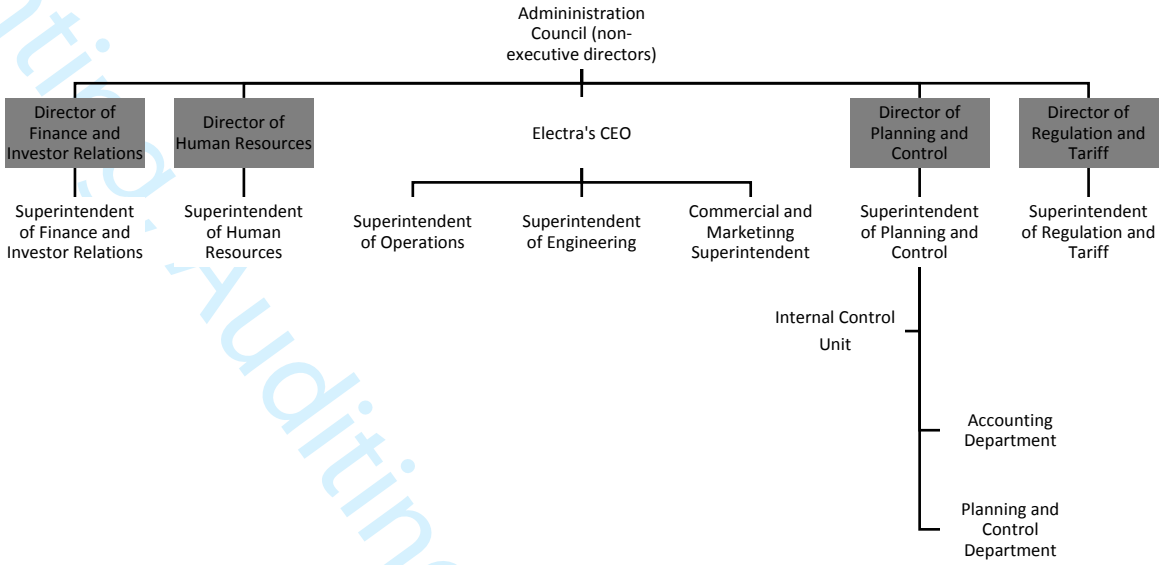

Figure 4 – Electra's Strategy Map

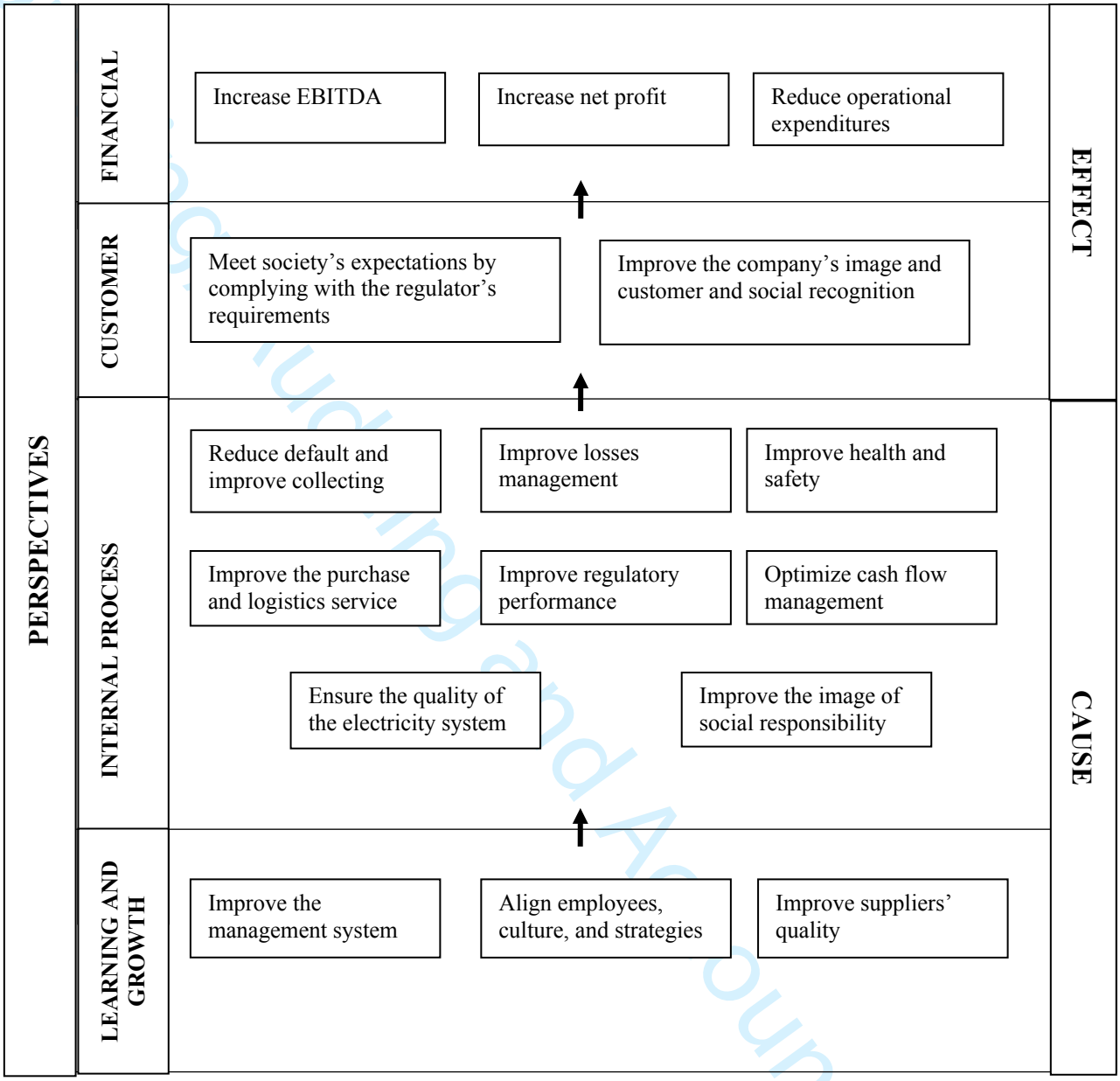

Figure 5 – Corporate Objectives

| CORPORATE OBJECTIVES | | Indicator | Weight | Evaluation | Points |
|---|---|---|---|---|---|
| Financial | Increase the net profit – Increment percentage over the budgeted value | ALL | 150 | 👍 | 150 |
| | Increase the EBITDA – Increment percentage over the budgeted value | EBITDA | 150 | ☺ | 112.5 |
| | Reduce operational expenditures – Reduction percentage over the budgeted value | DOG | 100 | 👍 | 100 |
| | Optimize the capital investment plan – Variations (%) from the capital investment plan | PDI | 100 | 👍 | 100 |
| Customer | Optimize the purchase and supplying of electricity – Avoid deficits in energy supply | PBE | 50 | 👍 | 50 |
| Internal Process | Revenue collecting index | IAR | 100 | 👍 | 100 |
| | Reduce losses index – Electricity used (%) | IPE | 150 | 👍 | 150 |
| | General index of electricity system continuity | IGC | 50 | 😐 | 25 |
| | Reduce the frequency of serious accidents and occupational diseases | NST | 100 | 👍 | 100 |
| Learning and Growth | Achieve an adequate level of employee satisfaction as measured by an organizational survey | CO | 50 | ☹ | 12.5 |
| 👍 Excellent ☺ Very Good 😐 Good ☹ Sufficient 💣 Insufficient | | | | TOTAL | 900 |
| **Electra Status = EXCELLENT** | | | | | |
| Excellent (>875) Very Good (>725) Good (>550) Sufficient/Insufficient (<549) | | | | | |

Table 1 – Organizational Logics During the BSC Implementation and Use

| Logics | Exemplary Interview Quotes |
|---|---|
| **Regulatory Logic:** | *Electra is a private company, our aim is to generate strong financial results for our shareholders, but we need to take into consideration our consumers, not our final consumers, but the regulator that represents the final consumers. (Manager of the planning and control department)*<br><br>*The regulator plays an important role, and it will always be one of the principal stakeholders in this kind of organization. We have one specific superintendency to deal with the regulator. (Superintendent of Regulation and Tariff)*<br><br>*We follow the regulation, this is completely different than working in a supermarket, I cannot increase my price (...) a distribution company must follow the regulation, this makes this kind of business different than an ordinary one. (Electra's CEO)* |
| **Engineering Logic:** | *We have characteristics, particularities of an engineering company that need to be observed and taken into consideration. (Head of the system operation department)*<br><br>*The main concern of the company before the privatization was to build a perfect electricity grid. This culture is to some extent still alive in the organization. (Head of the internal audit department)*<br><br>*We are very concerned with the engineering aspect of the business in itself (...) Therefore, we focus on improving the operational performance indicators, and sometimes we neglect some items of the overall control system of the organization. (Manager of the supply department)* |

## Appendix 1: Data Sources

| Source of data | Type of data |
|---|---|
| Semistructured interviews (Electra, holding company, and parent company) | 40 interviews (Electra)<br>2 interviews (holding company, parent company) |
| Other semistructured interviews | 2 interviews (Brazilian electricity sector regulator - ANEEL)<br>2 interviews (the Association of Accountants of the Brazilian Electricity Sector - ABRACONEE)<br>1 interview (Brazilian Development Bank - BNDES)<br>1 interview (the state regulator)<br>2 interviews (the Brazilian electricity distribution companies association – ABRADEE) |
| Informal conversations and nonparticipant observation | Field notes based on several informal conversations and nonparticipant observations (including a performance meeting and the introductory week workshop for new employees) |
| Annual reports | Accounting statements from 1968 to 2007; annual reports from 2001 to 2007; accounting reports to the regulator from 2002 to 2007; |
| Management accounting reports | Budget manual 2008; budget report 2007-2008; internal control report; management report, August 2006; management report, first quarter 1999; management reports, 12/2000 and 07/2001; budget control report, September 2006; financial report, July 2007; expenses summary, July 2007. |
| Intranet and information systems | Management by objectives system, the normative system. |
| Company newsletter and website | Electra's newsletter from August 2001 to June 2008; general information about Electra collected from the company's webpage. |
| Holding Company Information | Holding company's newsletter from September 2004 to June 2008; Holding company's accounting statements from 2001 to 2007; Holding company's annual reports from 2004 to 2006; Holding company's organizational chart; Holding company's ethics code (principles and values of the organization); Holding company's restructuration plan; Holding company's action plan presentation in 2004; general information about the Holding company collected from its webpage. |
| Management reports and presentations | Strategic plan from 2002 to 2006; strategic plan from 2006 to 2010; action plan from 2006 to 2010; strategic planning model report; management report to ABRADEE's annual award, 2003, 2004, 2006, and 2007; first workshop of the managers of Electra, 24 May 2000; market report, 3rd quarter 2007; presentation for the weekly CEO's meeting, August 2008; strategic map (Balanced Scorecard); presentation of the SAP process of implementation; Electra's processes maps; Electra's social and environmental reports from 2001 to 2007. |
| Norms and guidelines | Organizational manual and organizational chart (prior and after privatization); company project booklet; Electra's manual of the performance management program; Electra's concession contract; Electra's ethics booklet; presales contract; strategic plan norms/rules; management control norms/rules; performance measurement management norms/rules; economic and financial forecast norms/rules; preparation of management accounting reports norms/rules; capital budget preparation and control norms/rules; financial accounting activities and procedures norms/rules; asset control norms/rules; cash flow management norms/rules. |
| Laws and regulation in the Brazilian electricity sector | 44 laws and regulations analyzed in total. |