Ensuring the Success of Management Accounting Change in IT Departments of Public Organizations

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ABSTRACT

Organizational changes in information technology (IT) departments of public organizations are a frequent phenomenon. In contrast to private companies or public administrations, public organizations have some unique characteristics. There is, however, only little research available on how these characteristics need to be considered when analyzing organizational changes. Based on four organizational attributes affecting IT accounting change, this contribution applies a new, holistic framework to a case study. This framework allows in-depth insights into IT management accounting departments to systematically reveal the effects that contribute to a successful organizational transformation. Future research in the field of change in IT management accounting of public organizations will have benefits from applying this new framework to analyze practical examples and, from this, to develop valuable recommendations both for researchers and practitioners.

KEYWORDS

IT Management Accounting, Organizational Transformation, Public Sector, Single Case Study, State-Owned Enterprise

1. OBJECTIVES

Organizational changes in information technology (IT) departments of public organizations are a frequently occurring phenomenon. These changes are caused, for example, by increasing initiatives of public private partnerships in the IT sector (Sharma, 2012), the realization of traditional IT outsourcing activities (Joha & Janssen, 2012) or the upcoming trend of IT insourcing in the public sector that involves bringing the outsourced service back in-house (Damanpour et al., 2013). In this paper, public organizations are defined as economically and socially oriented organizations, which are a direct or indirect subject to the controlling influence by public authorities. Many public organizations

DOI: 10.4018/IJSSMET.2020010109

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date back to the time of privatization, which took place in the 1980s to 1990s. To give an example, this includes the privatization of hospitals and transportation organizations (Williams et al., 1990). Due to the comparatively brief history of public organizations, the implementation and use of management accounting in general, and particularly in the IT department has not yet reached the same maturity as it has in other organizational forms. In the private sector, IT management accounting has been applied for many years and is traditionally seen as an instrument for decision-making (Johnson, 1983). In the recent years, the public sector started many initiatives under the term New Public Management (NPM) (Bache & Flinders, 2004; Levy, 2010) and has been trying to transfer management accounting concepts used in the private sector to public administrations (Meier & O’Toole, 2011). But due to the significantly shorter experience in the management accounting discipline, public organizations face major challenges caused by their special organizational characteristics, for example, when arranging internal IT accounting methods with the legal requirements in a regulated market environment (Chiwamit et al., 2017; De Lancer Julnes & Holzer, 2001). However, the characteristics of public organizations have rarely been taken into consideration by researchers analyzing accounting change in public IT departments (Arnaboldi et al., 2010; Canedo et al., 2018; ter Bogt & van Helden, 2000). Furthermore, there is a lack of empirical research to align the understanding of institutional theory and the dynamics of practice (Dai et al., 2017; Lounsbury, 2008).

Beyond this background, this contribution’s first objective is to investigate the organizational change in IT departments of public organizations by applying a new, holistic framework to a concrete case study of a public organization in order to gain more insights into this phenomenon. The framework will consider major organizational attributes influencing management accounting in public organizations (Ertl et al., 2014). By applying the framework, the second objective is to derive success factors and recommendations for organizational changes in IT departments of public organizations.

The paper is structured as follows: In the second section, four major organizational attributes influencing IT management accounting at public organizations are elucidated. Moreover, a short review of existing frameworks is conducted with a discussion on why these frameworks are unapt when considering the given special characteristics of public organizations. The third section presents a holistic framework for the analysis of accounting changes in the IT departments of public organizations. The case study research approach and the results from the case study are described in section four and five. In the sixth section, the implications arising from the application of the framework on the practical example are examined and discussed. Section seven provides a summary, the contribution to science and practice, limitations and a prospect on future research.

2. BACKGROUND AND RELATED WORK

2.1. Characteristics of IT Management Accounting in Public Organizations

Private and public organizations differ significantly in some respects (Patro, 2016; Patro & Parishad, 2015). These differences substantially influence the content and the process of IT management accounting (Boyné, 2002; Nutt & Backoff, 1993). Ertl et al. (2014) conducted a comprehensive literature review on organizational characteristics. The review clearly reveals that public organizations possess a mix of characteristics of private organizations (e.g., the focus on output performance and a homogenous group of customers) and public administrations (e.g., political influence and lower managerial autonomy) (Ertl et al., 2014). Besides, the authors identified four attributes, which have a direct influence on the way how IT management accounting is implemented and applied in public organizations (Ertl et al., 2014). As we will build upon these findings, we will briefly describe them in the following.

The first attribute influencing IT management accounting is the stability and time horizon of managers’ decisions, which can result in short-term instructions or a change in long-term strategic directions. Since private organizations show clear and sustainable strategic decisions, they can focus on
PTBL: A Learning Model Based on PBL and TBL for Training Soft Skills Supported by 3D Virtual Pedagogical Platform (3DVPP)


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