



The institutionalisation of a new management control system: a focus on situated rationality

Federica Palazzi¹ · Annalisa Sentuti¹ · Francesca Sgrò¹

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Abstract

Drawing on the literature about management control systems and adopting the new institutional theory, this study aims to investigate how the situated rationality of key actors influences the institutionalization of a new practice, from its adoption to its implementation within a large company. Based on a qualitative approach, this article presents a single case study investigating a multinational manufacturing firm located in Italy. Findings highlight the whole redesignation process of the enterprise performance management system in terms of motivations, activities and benefits underpinning the management accounting change project and the institutionalisation of the new management control system. Furthermore, they demonstrate the key role of three crucial actors – CEO, Co-CEO and CFO – driven by a mix of three different types of situated rationality – roots, experience, educational – that guide their actions and influence the enterprise’s decisions and behaviours, which then lead to a new performance management systems and processes. Implications for research and practice are discussed.

Keywords Management control systems · Performance management systems and processes · Management accounting change · Institutional theory · Situated rationality

✉ Francesca Sgrò
francesca.sgro@uniurb.it
Federica Palazzi
federica.palazzi@uniurb.it
Annalisa Sentuti
annalisa.sentuti@uniurb.it

¹ Department of Economics, Society and Politics, University of Urbino Carlo, Bo Via Saffi 42, Urbino 61029, PU, Italy

1 Introduction

In contexts characterised by uncertainty, it is crucial to implement innovative management control systems (MCSs), considering that the traditional rigidity of control systems may prove to be limiting, as volatile conditions require greater adaptability and flexibility (Teklay & Bobe, 2024; Malmi & Brown, 2008; Passetti et al., 2021). Innovation in MCSs can be represented by adopting advanced technologies, integrating new performance indicators and creating more agile procedures for performance evaluation (Martin-Rios, 2016; Martins et al., 2023; Guo et al., 2019). It is a strategic resource for successfully dealing with unexpected events and maintaining competitiveness in constantly evolving environments, if it is well-designed to align with organizational needs and institutional demands. An innovative MCS enables organisations to respond dynamically to unforeseen changes and emerging challenges (Su et al., 2022; Barros & Ferreira, 2023), while ensuring timely, effective information processing, and informed strategic decision-making (Parker, 2020; Donatella & Tagesson, 2021; Passetti et al., 2021). It is even more important if considering the role of MCSs in securing organisational conformity with social expectations, by providing legitimacy and resources (Ahrens & Khalifa, 2015; Meyer & Rowan, 1977). Therefore, MCSs play a crucial role not only in internal decision-making and performance evaluation but also in ensuring that organizations conform to societal expectations (Berry et al., 2009). By aligning business practices with institutional norms, regulatory requirements, and stakeholder demands, MCSs help organizations establish legitimacy, which is essential for maintaining credibility and trust (Federo et al., 2023). Legitimacy, in turn, enhances an organization's ability to secure critical resources, such as financial support, partnerships, and institutional backing, which are necessary for long-term sustainability and growth. Thus, beyond their technical and operational functions, MCSs serve as strategic tools that reinforce an organization's position within its broader institutional environment.

Moreover, MCSs are essential for managing change, ensuring timely data, detecting anomalies and creating an effective predictive system (Passetti et al., 2021). To meet these purposes, the MCS needs to be innovated and new figures in the control process need to be considered (Bertz & Quinn, 2022).

Highly competitive companies are innovating their MCS by redesigning their performance management systems and processes (PMSPs) (Chowdhury et al., 2018). PMSPs is part of cybernetic controls (Malmi & Brown, 2008), and these controls allow us to quantify a specific task concerning standards of performance or targets to be met; this comparison activates a feedback process able to provide valuable information to correct the variances concerning mistakes made in the planning phase (Green & Welsh, 1988). Therefore, PMSPs can be considered a system or process of exchanging performance information inside the company to create value and contribute to organisational goals (Hansen, 2021).

This trend was further accelerated by the COVID-19 pandemic, which posed an excellent challenge to many business leaders and managers - testing their decision-making performance and their ability to make critical and complex decisions quickly, effectively and efficiently (Dwivedi et al., 2020; Roth et al., 2024). Therefore, big companies are increasingly committed to innovating and redesigning PMSPs with

significant resources (Schröder-Hansen & Hansen, 2023) to deal with societal context and institutional pressures (ter Bogt & Scapens, 2019).

Institutional theory provides a framework for understanding why and how organizations innovate their MCSs in response to societal context and institutional pressures (Moll et al., 2006). In this sense, the innovation of MCSs should not be seen as a mere technical improvement but rather as an institutionalized form of accounting change. When organizations introduce innovations in MCSs, such as new performance measurement tools, these changes extend beyond operational adjustments, representing a deeper transformation of accounting practices that reshape decision-making processes and performance evaluation across the organization (Lawrence & Suddaby, 2006).

Accounting change refers to the process by which accounting practices, policies or systems within an organisation are modified or updated to reflect the need for organisations to adapt to new external and internal pressures, while also influencing how economic and financial performance is measured and communicated (Liguori & Steccolini, 2011; Malmi & Granlund, 2009). Accounting change can be driven by regulatory shifts, technological advancements, economic pressures, organisational leadership, globalization, and evolving professional roles (Sentuti & Cesaroni, 2019; Malmose & Skjøtt Linneberg, 2024). Compliance with new financial standards, automation, and data analytics enhances efficiency and strategic decision-making. Market dynamics and competition push firms to optimise performance. Transitioning from compliance-focused accounting to a strategic business function requires cultural adaptation and standardised global practices. Therefore, accounting change is a dynamic process shaped by institutional norms and led by key actors' decisions that play a crucial role in ensuring a firm's long-term viability. Furthermore, individuals, particularly those with decision-making power and occupying higher hierarchical positions, operate with intentionality, as their actions are often deliberate and strategically oriented within the institutional framework (ter Bogt & Scapens, 2019).

According to Lawrence and Suddaby (2006), institutionalisation and, consequently, accounting changes, require that resources are available to some actors and not others due to each company's structured and hierarchical characteristics. Social structures are both the conditions and outcomes of human actions, which continuously reproduce and transform them (Lawson, 1997). Individuals shape and are shaped by these structures through their everyday actions, often without intending to do so (Lawson, 1997). Therefore, even when individuals act intentionally, their decisions are often shaped by taken-for-granted norms, rules, and organizational routines that define what is considered rational or appropriate within a given context (Ter Bogt & Scapens, 2019). In this sense, actors may believe they are making autonomous decisions, but these are framed by pre-existing institutional conditions. Thus, even when decision making is exercised with intention, it operates within structural constraints and cultural expectations that subtly shape the range of possible actions and decisions (Lawson, 1997).

In this view, whoever owns the hierarchical power is seen as a promoter of accounting change (ter Bogt & Scapens, 2019); therefore, corporate governance, as a system by which corporates are directed and controlled (OECD, 1999, 2023), can

be considered an essential lever in driving accounting change (Capasso & Dagnino, 2014; Ruggeri et al., 2023; Leotta et al., 2023).

To describe the accounting change process, Burns and Scapens (2000) introduced a framework made up of the realm of institutions and the realm of actions, which are linked by rules and routines. Rules refer to the ‘formalised statement of procedures’, while routines are the ‘procedures actually in use’ (Burns & Scapens, 2000, p. 7). Rules and routines encode the institutional principles and are enacted through the actions’ (ter Bogt & Scapens, 2019, p. 1805). Ter Bogt and Scapens (2019) extended the Burns and Scapens framework, introducing the concept of situated rationality, which ‘provides the mechanisms by which the more abstract institutions (i.e., taken-for-granted assumptions) influence agents’ deliberations over the rules and routines which provide the basis for their intentional behaviour – i.e., their actions’ (ter Bogt & Scapens, 2019; p. 1808). Therefore, decisions within a company, those about accounting change included, are shaped by situated rationality in terms of how individuals or groups of people rationalise and conceptualise their responses in specific situations (ter Bogt & Scapens, 2019).

Despite the key role of situated rationality in driving accounting change, existing studies (ter Bogt & Scapens, 2019; Bertz & Quinn, 2022) have not fully explored this concept, particularly in relation to corporate governance members. While much of the literature focuses on the organizational level, the individual level- especially the role of governance actors who wield power to effect institutional change (Mahlen-dorf, 2015; Lawrence & Nohria, 2001)- remains underexplored.

This study addresses this gap by shifting from a general focus on situated rationality toward a broader institutional theory perspective, emphasising how key actors actively engage in institutionalising accounting change (Linneberg et al., 2021; ter Bogt & Scapens, 2019). Amid growing uncertainty, rising organisational complexity, and increasing market demands, capturing the key actors’ nuanced decision-making processes is challenging as well as crucial for advancing our understanding of how MCSs are institutionalised. In this context, investigating situated rationality at the individual level also goes beyond gap-spotting and responds to the call for research that addresses relevant and timely organisational problems (Alvesson & Sandberg, 2011) and aligns with the criteria of practical relevance and theoretical resonance advocated by Tracy (2010). In this line, this study extends prior research by integrating Bertz & Quinn’s (2022) recommendation to analyze situated rationalities in accounting change more deeply. It focuses on corporate governance actors and offers insights into how MCSs are shaped by the micro-foundations of individual rationalities. Specifically, adopting the institutional theory as a theoretical framework, we aim to answer the following research question:

(RQ) *How does the situated rationality of key actors shape the institutionalisation of new performance management systems and processes?*

Institutional theory offers a valuable lens through which to gain deeper insight into the redesign of PMSPs, particularly by highlighting the influence of individual-level situated rationalities (Bertz & Quinn, 2022). Notably, we have decided to adopt this theory to analyse a single case study. As suggested by Schröder-Hansen and Hansen

(2023), in-depth case study research allows us to explore the costs and benefits of PMSPs redesigning. Researchers should try to investigate best practices or examples of excellent practices of performance management to spread good innovative practices and reduce the gap between the theory and the leading-edge practices (Merchant & Otley, 2006; Merchant & Stede, 2007; Merchant & Otley, 2020). With this in mind, we have selected the case study of a highly competitive and high-performing international company that has undertaken a significant redesign of PMSPs.

Grounded in institutional theory and a qualitative approach, findings highlight the role of individual rationalities in shaping accounting change. Theoretical contributions include the extension of the Ter Bogt and Scapens framework (2019), introducing the concept of roots rationality, which reflects an actor's commitment to preserving the founder's legacy while adapting to change, and educational rationality, which is driven by professional expertise and influences decision-making. Practical contributions suggest that the successful adoption of PMSPs depends on leadership commitment, employee training, organisational restructuring, and a forward-looking control model that shifts focus from historical reporting to proactive decision-making.

The remainder of this paper is structured as follows. Section 2 delves into the concepts of institutional theory and accounting change, with a specific focus on the role of situated rationality in shaping and influencing these transformations. It explores how institutional contexts and actors' rationalities drive accounting practices, adaptations, and reforms within organisations. Section 3 describes the methodology, and Sect. 4 is dedicated to the results. Section 5 contains the discussion and conclusions.

2 Literature background

2.1 Institutional theory and accounting change: the role of situated rationality

Institutional theory has been widely used in accounting studies to observe the dynamics underpinning the accounting change implementation (Burns & Scapens, 2000; Bertz & Quinn, 2022; Pagliarussi & Leme, 2020). Institutions are at the core of institutional theory and assume a key role in social life by affecting the 'thoughts, feelings, and behaviour of individual and collective actors' (Lawrence & Suddaby, 2006; p. 216). In the economic and management literature, there are many definitions of institutions. According to Scott (2001), institutions comprise cultured-cognitive, normative and regulative elements that shape how people understand and interpret social life. Fligstein (2001) built on Scott's ideas, emphasising the role of rules and shared meanings in defining social relationships. According to this view, institutions help determine who has what role or position within a social structure and provide people with cognitive frames or mental models that help them understand how to interact with others. Moreover, there are differences between the neo-institutional perspective and the views of institutional economists regarding institutions (Greenwood & Hinings, 1996). The neo-institutional perspective emphasises the role of cognition in terms of mental constructs or shared beliefs in conceptualising institutional action. This perspective has been criticised for giving too much importance to how people think about and interpret institutions and not enough to the active role that individuals

and organisations play in shaping them. In contrast, institutional economists focus on human agency (Emirbayer & Mische, 1998), the idea that people actively create and modify institutions through their actions. Drawing on this, North (1990) describes institutions as ‘humanly devised constraints’ that shape political, economic and social interactions by informal constraints and formal rules. Informal constraints include unwritten rules like sanctions, taboos, customs, traditions and codes of conduct; formal rules are official regulations such as constitutions, laws and property rights. This view emphasises that institutions are not merely abstract ideas but concrete rules and norms that people create to structure their interactions. However, Jepperson (1991) offers a definition that integrates elements from both perspectives but emphasises the role of purposive action in shaping institutions. Jepperson argues that mechanisms of control and dynamic processes characterise institutions. Unlike perspectives that view institutions as passive structures (Oliver, 1991), Jepperson argues that institutions are actively maintained and supported by specific mechanisms (e.g., rules and procedures) that ensure adherence to these patterns and that institutions result from deliberate actions taken to create, maintain or alter them over time. This view contrasts with perspectives that see institutions as stable and unchanging (Bush, 1987). Therefore, this view reflects a growing interest in understanding how individuals and organisations actively shape institutions, rather than merely being shaped by them (Lawrence & Suddaby, 2006).

According to Dillard et al. (2004), institutionalisation can be defined as a process that involves developing, acquiring and implementing practices expected in various social settings. Surrounding social, political and economic institutions influence firms’ decision-making processes, pushing them to adhere to rules and social norms to be attractive and competitive, and legitimise their actions. Therefore, firms must accommodate institutional expectations to survive (Burns & Scapens, 2000).

According to Tolbert and Zucker (1996), the institutionalisation process consists of three stages. Pre-institutionalisation’s first stage is characterised by a limited number of adopters and minimal knowledge of the practice. The second stage, semi-institutionalisation, occurs when the practice becomes widespread and gains some degree of normative acceptance, though it still has a relatively short history. At this point, the practice is not yet stable or permanent. Therefore, the practice has moved beyond implementation and is in the semi-institutionalisation phase. It is widely accepted but not yet fully embedded or perceived as an inherent and indispensable part of the organisation’s functioning. Consequently, while the practice is gaining traction, its long-term adoption remains uncertain as it has not yet achieved the deeper internalisation required for full institutionalisation (Kostova & Roth, 2002). Finally, in the full institutionalisation stage, the practice is fully integrated, taken for granted by social group members, and perceived as necessary and effective (Tolbert & Zucker, 1996).

Burns and Scapens (2000) introduced a framework to describe the accounting change processes within organisations due to the institutions’ pressure. According to the authors, institutions, also known as the institutional realm, communicate a way of doing business that reflects the habits and customs of a society, and this shapes actions that are reproduced over time. Rules and routines encode the institutional principles by establishing how things should be done and the patterns of actions to habitually

adopt. Thus, the institutional realm is connected to the action realm through rules and routines (Barros & Ferreira, 2023). Therefore, through institutionalisation, 'management accounting can, over time, come to underpin the 'taken-for-granted' ways of thinking and doing in a particular organisation' (Burns & Scapens, 2000; p.5).

However, the degree of acceptance of accounting change depends on organisational members (such as top management and managers) who play a fundamental role in the functioning and success of any organisation (Linneberg et al., 2021). Di Maggio (1988) introduced the concept of an institutional entrepreneur as an actor with 'enough resources and self-interest to pursue institutional change as a strategic response to structural pressures' (Linneberg et al., 2021; p. 46). An institutional entrepreneur needs to collaborate with other organisational members (Di Maggio, 1988), and the relationship established between an institutional entrepreneur and its agencies must be active (Linneberg et al., 2021). The relationship of reciprocity between institutional entrepreneurs and agencies fills the gap between an institutional entrepreneur (the actor) and the phenomenon or agency (the forces, institutions or structures they seek to change) (Linneberg & Korsgaard, 2021). In other words, efforts to bring about change often require collaboration, support from others and the ability to influence key stakeholders. Without strong relationships, an institutional entrepreneur may struggle to gain the necessary backing or legitimacy to implement change. If organisational members trust the person responsible for the implementation of change and highly value their expertise, the acceptance of the change will be easier (Johansson & Baldvinsdottir, 2003; Busco et al., 2006; Watson & Ireland, 2021). For an institutional entrepreneur, social skills such as 'the ability to induce cooperation among others' (Fligstein, 2001, p. 112) are pivotal to inducing cooperation and promoting change by leveraging the institutional field (Linneberg et al., 2021) such as an environment shaped by interactive relationships in which actors spread collective understanding regarding various issues (such as beliefs, norms, processes, etc.) that impact organisational and field-level activities (Wooten & Hoffman, 2008). These relational spaces are shaped by the recognition and interaction among actors, leading to the development of shared understanding and collective rationality. The recognition of each other occurs based on roles. Once actors acknowledge each other's presence and the surrounding structures, they start the alignment process among individuals regarding behaviour and values that influence strategies developed on shared norms. As this referencing occurs, collective rationality emerges, reflecting a mutual understanding of what makes sense at the organisational and field level (Thornton & Ocasio, 1999; Wooten & Hoffman, 2008). Consequently, innovations and changes can happen when actors reach a consensus on an organisational issue (Linneberg et al., 2021). To carry out institutionalisation changes, 'an actor must be aware of their actions' potentiality to evoke change, as materialised by relating to others and the structures around them' (Linneberg et al., 2021; p. 47).

Therefore, institutional pressure can initiate or prompt the need for change in an organisation in terms of MCSs; but the success of the accounting change implementation is the power and the capacity of leaders to act, collaborate with other organisational members (such as middle managers) and do what is necessary for the company to embrace the change (Greenwood & Hinings, 1996; Sugarman & Martin, 2011; Wolf et al., 2020). This is even more important considering that an accounting change

requires new human and financial resource allocation and changes in decisional and organisational processes (Brennan & Solomon, 2008; Schumann et al., 2024). The process of institutionalisation is not unidirectional but rather can be influenced by actions taken at societal, organisational and individual levels (Thornton et al., 2012).

Greenwood and Hinings (1996), focusing on the institutionalisation process that occurs at the organisational level, assume that different groups of actors within the company (for example, managers, workers and many others) may hold varying degrees of influence and this influence can also shape the way they do business with other organisations or even the higher levels of institutionalisation. In this vein, actions and institutions are interconnected through power, resources, trust and rules. Specifically, institutions shape behaviour by establishing norms, routines and rules, while individuals act within these frameworks, sometimes questioning or adapting them (Samanthi & Gooneratne, 2023). At the same time, underlying, often unconscious, assumptions guide how people think about and interact with these rules (Lawson, 1997). These assumptions influence how agents take decisions and behave intentionally within social systems, even if they are unaware of them (Samanthi & Gooneratne, 2023).

Therefore, when it comes to understanding the institutionalisation of management accounting change (MAC) at the micro level, it is pivotal to investigate how individuals within organisations filter and respond to institutional stimuli, as organisations are not passive entities (Greenwood & Hinings, 1996; Greenwood et al., 2011).

2.2 The role of situated rationality

Thornton et al. (2012) recognise that individual behaviour can be influenced by the immediate situation's characteristics – in time and place. This phenomenon is known as situationism, and it means that situation-specific factors can lead an organisation to be 'particularly sensitive to certain logics and less so to others' (Amans et al., 2015, p. 49). In other words, MAC can be considered the outcome of the internal interpreting process and attribute meanings that lead to that change (Gilley et al., 2009). Therefore, individual, and organisational forces, impact the way organisations interpret external institutions' pressures and execute the change (Liguori & Steccolini, 2011; Schadewitz & Spohr, 2022).

In this vein, situated rationality is pivotal when it comes to accounting change (ter Bogt & Scapens, 2019). In other words, situated rationality refers to the 'form of situated rationality social actors adopt in a specific situation – i.e., how they think about and rationalise what they should do when faced with that situation' (ter Bogt & Scapens, 2019; p. 1803). Moreover, rationality is also influenced by the history, traditions and experiences of the organisation (ter Bogt & Scapens, 2019; Teklay & Bobe, 2024), and in the case of family firms, by the beliefs, principles and ideals that shape the family members identity (Pagliarussi & Leme, 2020; Radu-Lefebvre et al., 2024). Moreover, factors such as professional judgment, experience and intuition can shape situated rationality (Bertz & Quinn, 2022; Pagliarussi & Leme, 2020). In addition, situated rationality can also be informed through accounting practices (ter Bogt & Scapens, 2019) that can stimulate the firm's path of development (Busco et al., 2018; Hoppmann et al., 2023), and, in turn, promote changes in organisations and

an evolution of practices (de Oliveira et al., 2024). Therefore, individuals are situated in various social structures with different, sometimes conflicting interests, obligations and influences (Lawson, 1997). While much of their behaviour and understanding of social structures is implicit and not always conscious, individuals act skilfully and rationally within these contexts due to their rationality (Bertz & Quinn, 2022; Pagliarussi & Leme, 2020). However, this rationality differs between individuals and results from the dynamic interplay between human practices, social structures and personal background (Linneberg et al., 2021). Therefore, what is ‘taken for granted’ by organisational members is influenced by the firm’s historical background and by the educational level and experiences of those who are responsible for the implementation of accounting change (ter Bogt & Scapens, 2019). There could be numerous forms of rationalities concerning different professional groups (for example, accountants) in an organisation. Situated rationality allows us to focus on the situated nature of management accounting practices, considering the influences of institutions within the organisation and the individual actors (ter Bogt & Scapens, 2019). There are different types of situated rationality that influence management control changes and organisational decision-making. Bertz and Quinn (2022) highlighted that individuals, such as the Chief Executive and managers, involved in management control changes often rely on their situated rationalities, shaped by personal experiences and perspectives. Experience rationality stems from an individual’s background, including education, professional trajectory, and prior exposure to similar management practices (Bertz & Quinn, 2022). These individual rationalities may align with or challenge the organisation’s established ways of thinking and decision-making, meaning that key actors’ personal approaches can either reinforce or contest existing norms and practices during organisational change. Contradictory rationalities illustrate the coexistence of differing perspectives within the same organisation, often leading to conflicts, such as financial managers prioritising efficiency and profitability (Bertz & Quinn, 2022).

Pagliarussi and Leme (2020) described how non-family managers, alongside the controller, played a crucial role in integrating general accounting practices with the existing rationalities of family firms. Samanthi and Gooneratne (2023) argued that an accountant’s professional role can evolve from being a mere ‘bean counter’ to a business partner. This value-adding transformation is influenced by various factors, including changes in local and broader institutions (defined as the social, economic and environmental context in which the company operates), organisational culture and norms, the influence of the parent company, and the accountant’s situated rationality, which is shaped by their professional training, experience, and perception of organisational rules and routines. Consequently, local rationality is defined by the specific organisational context, where norms, practices, and routines shape how actors perceive and respond to change (Samanthi & Gooneratne, 2023; Bertz & Quinn, 2022). de Oliveira et al. (2024) highlighted that managers link performance evaluation to accounting practices. Their interpretation of performance is shaped by their situated rationality, as they assess accounting data through the lens of their personal goals and perspectives. As a result, managers’ views on performance are directly influenced by the accounting tools firms implement.

Essentially, powerful actors can influence accounting change (Bassani et al., 2021; Pfister et al., 2023) inside and outside the organisations; situated rationality is the means through which change occurs (ter Bogt & Scapens, 2019).

Situated rationalities influence both routines and rules. The definition of rules within a company is a leader's duty (who owns the hierarchical power), and these rules are shaped by those who apply them day by day, by establishing routines. Thus, routines can deviate from the rules because their application foresees the adaptation to specific circumstances. This adaptation process is filtered by deliberation which, in turn, is influenced by situated rationality. Deliberation refers to the human ability to evaluate and decide on the most appropriate path to follow in circumstances (Barros & Ferreira, 2023). The effect of situated rationality, rules and routines sets up the foundations for the actions (ter Bogt & Scapens, 2019).

In summary, institutional theory provides a robust framework for understanding the mechanisms underpinning accounting change and the broader institutionalisation process within organisations. The interplay between institutional pressures and organisational responses highlights how accounting practices evolve through regulatory and normative forces and the active role of individuals within firms. Furthermore, situated rationality emerges as a crucial element in explaining how individual actors interpret and enact change, demonstrating that accounting transformations are not purely imposed but are actively shaped by historical, cultural, and professional contexts (ter Bogt & Scapens, 2019; Bertz & Quinn, 2022). Organisational members play a fundamental role in driving or resisting change, as their rationalities influence how institutional pressures are perceived and operationalised (Linneberg et al., 2021). Additionally, the dynamic relationship between rules and routines reinforces that institutionalisation is not a static or unidirectional process but involves ongoing deliberation and adaptation (Tayal et al., 2018; Barros & Ferreira, 2023). Finally, understanding accounting change requires an integrative perspective that considers both structural influences and the situated agency of actors, recognising that institutionalisation is shaped through an ongoing negotiation between external expectations and internal rationalities.

Despite the progress made, several dimensions of how key actors shape accounting change through situated rationality remain insufficiently examined, and further investigation is needed to unpack the nuanced influence of governance members in institutionalising MCSs. Addressing these gaps is essential not only for theoretical advancement but also for understanding the concrete mechanisms through which MCSs evolve within complex organisation and governance settings.

3 Methodology

3.1 Research design and research setting

Adopting a qualitative approach, the case study method was used to extend the theoretical framework of ter Bogt and Scapens (2019). Specifically, this work is based on a single case study, considering that this methodology is suitable for understanding complex phenomena (Eisenhardt & Graebner, 2007). Case studies are frequently

employed to investigate MCS and extend theory, also concerning the role of situated rationalities. For instance, Barros and da Costa Ferreira (2023), by analysing a single case study, investigated how the situated rationalities within the company are reflected in the management control practices in use, and how these practices are used to communicate and provide guidance when innovation is part of the strategy.

We have examined the case of Alpha (fictitious name), a multinational machinery manufacturer located in Italy, with business worldwide. The Group ended 2023 with a turnover of almost 800 million euros and a few thousand employees worldwide. Beyond its multinational dimension, the Group is considered a family firm since the family owns 51% of the ordinary shares, the founder is the chairman of the Board, and his son holds the position of CEO. This is consistent with Cruz et al. (2014), according to which a business can be considered a family firm if two criteria are met: (1) an individual or a family group owned at least 20% of the shares, and (2) at least one member of the family is on the board of directors.

In selecting this case, we adopted a theoretical sampling approach (Eisenhardt & Graebner, 2007) by choosing a company in which a relevant MAC occurred. It was key that one of the authors had direct knowledge of the company, and they were previously involved in the governance of the company for several years and thus had the opportunity to get to know the company well. At the end of the collaboration, the author maintained contact with the company, which allowed the author to learn about a vital change project that the company's top management had decided to carry out: redesign the PMSs completely, which was very challenging given the size and complexity of the Group.

In defining the research design, we chose to frame the study within the theoretical framework previously outlined and selected the research question that would guide our analysis. In line with Tracy's (2010) criteria for excellent qualitative research, particularly those related to reflexivity, sincerity, and credibility, we deliberately structured the research team with differentiated roles. Two authors, unfamiliar with the enterprise, took on the roles of primary data collectors and analysts, offering critical distance and an outsider's viewpoint. The third author, with prior involvement in the enterprise's governance, played the role of facilitator, supporting access to the field and contributing contextual knowledge during the data analysis to solve uncertainties or doubts in interpreting the results. This division of roles allowed us to combine analytical neutrality with organisational insight, thus enhancing the transparency and trustworthiness of the research process.

3.2 Empirical material

A longitudinal perspective in collecting data was adopted to investigate the entire implementation process of the project. Various data sources were combined by integrating secondary data collected through public documents and the company's website with internal documents and direct qualitative interviews (Table 1).

Qualitative interviews were carried out by the other two authors using a predefined set of issues to be explored with each interviewee. In designing the interview checklist, we were guided both by the research question and the theoretical framework. In the early interviews, the interviewees were asked to speak about the motivations that

Table 1 Data source details

| Data source | Data source details |
|-----------------------------------|---|
| Direct semi-structured interviews | Interview with the CEO (2022, 20 min) |
| | Interview with the CFO (2022, 30 min) |
| | Interview with the CFO (2023, 30 min) |
| | Interview with the Data Governance and Reporting Manager (2022, 30 min) |
| | Interview with the Data Governance and Reporting Manager (2023, 30 min) |
| | Interview with the Data Governance and Reporting Manager (2024, 30 min) |
| Internal documents | Project-related internal reporting (2021–2023) |
| | Project communication document (2021–2023) |
| Public documents | Annual Report (2021–2023) |
| | Sustainability Report (2021–2023) |
| | Quarterly Reports (2021–2023) |
| | Corporate Press (2021–2023) |
| Website | Excerpts of interviews with Top Management and press releases (2021–2023) |

led the company to initiate the MAC process and how the project was designed and communicated. During the process, we asked the interviewees to explain the impact it had at the organisational level, the different phases of implementation, how the new PMSP was put into practice and the results progressively achieved. In the last two interviews, we were given a final overview of the project and its achievements. All the interviews also provided insight into which actors promoted and supported the project, how their previous experience and training impacted the MAC process and their view of the MAC process, the new PMSPs and the factors that made the change necessary and possible.

In total, 7 semi-structured interviews ranging from 20 to 30 min were conducted online and recorded from the beginning of 2022 to the end of July 2024. The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Data Governance and Reporting Manager and Controller were chosen given their key role as decision-makers (CEO and CFO), their involvement in the day-to-day implementation of the new PMSPs (DG/RM) and as the main daily user of the newly implemented tool (Controller). The reported interview durations refer to the effective time during which planned questions were addressed. Each interview was part of a broader conversational setting, including brief moments of informal exchange and rapport-building, which were not systematically recorded in terms of speech and time, as they were not central to the aims of the study. Furthermore, informal meetings, phone calls and e-mails with the CFO enabled constant contact throughout the research. Although not systematically timed, these interactions played a key role in the progressive development and clarification of the case analysis. The CFO and Data Governance and Reporting Manager also provided internal documentation that offered further details on the project, the PMSPs adopted and the ongoing implementation status.

3.3 Data analysis

Data analysis was an ongoing process, starting with the first documents and interviews collected. Specifically, the interviews were transcribed, and the main data

collected were used to draft a detailed case description, which was progressively updated, considering new interviews and documents.

Subsequently, the documents and interview transcripts were analysed manually, and a blended approach (Graebner et al., 2012; Linneberg & Korsgaard, 2021), i.e., a combination of deductive and inductive approaches, was used. We started with a deductive approach to identify in our data key constructs highlighted in the extant literature and the theoretical framework (e.g., situated rationality, routines and rules). These theoretical concepts enabled us to identify certain parts of the transcripts and documents that were particularly interesting to our research aims. We highlighted these sentences and passages, and notes were made to identify, for instance, routines and rules and the key actors' 'logical way of thinking to perceive the lines of rationality applied' (Barros & Ferreira, 2023, p. 118).

Next, based on our research question, we inductively analysed the transcripts to 'give voice' to the data (Linneberg & Korsgaard, 2021) and especially to the key actors of the process. We highlighted text related to why and how the new enterprise performance management system has been introduced and paid attention to what interviewees said and what it means in terms of situated rationality. At the same time, we constantly compared our data, theory and previous studies (Eisenhardt, 2021) on situated rationality (especially those of Bertz & Quinn, 2022) to understand how our results could contribute to moving forward with the literature on the subject.

The two authors who conducted the interviews wrote the case description and then analysed each interview and document jointly. During the analysis, they were checked in several times with the third author, who helped to solve any inconsistencies and disagreements between the two authors in interpreting results and to arrive at a shared understanding of the data.

Through this process, the concept of experience rationalities (already recognised in the literature) was better defined, and the new concepts of roots rationality and educational rationality were identified, as well as how they prompt the institutionalisation of the new PMSPs and how they shape its process of redesign and implementation in Alpha.

According to Eisenhardt and Graebner (2007), to offer rich qualitative data, a single-case study should be presented with a complete story rendering, providing a narrative 'interspersed with quotations from key informants and other supporting evidence' (p. 29). Following the authors' recommendation, a detailed narrative interwoven with illustrative quotations from interviews and other relevant data sources has been integrated throughout the findings section. This approach allowed for the presentation of a 'complete story' that reflects the complexity of the case and gives voice to the actors' situated rationalities.

4 Results

Findings are based on the empirical analysis conducted to address the research question, which investigates how the situated rationality of key actors shapes the institutionalisation of new performance management systems and processes (PMSPs), with particular attention to their redesign and implementation.

4.1 Embracing accounting change: the role of situated rationalities

The need to adopt new PMSPs at Alpha was driven by external pressures linked to broader institutional and business dynamics. Notably, as highlighted in the Sustainability Reports for 2021-2022-2023 and emerged from interviews, the aftermath of the COVID-19 pandemic intensified perceptions of uncertainty and complexity, prompting the leadership to reconsider organisational processes and performance management practices.

When circumstances are favourable, there is often little emphasis placed on numerical data. However, during times of difficulty, such as the COVID-19 crisis, the importance of a robust data culture becomes evident. This realisation heightened awareness among the owners and ultimately persuaded them to undertake such a substantial investment (Controller, interview 2024).

Thus, the pandemic context influenced how decision-makers framed the urgency for change. More broadly, recent years have exposed the limitations of the traditional economic paradigm centred on short-term profit, especially in light of growing demands for environmental, social, and governance sustainability. The pandemic further exacerbated global inequalities and underscored the fragility of economic systems, revealing how outdated and standardised accounting practices often hinder companies' ability to respond effectively to external shock events and long-term sustainability goals.

In response to mounting external challenges, Alpha initiated a comprehensive transformation, recognising the imperative of readiness and adaptability in the face of global disruptions; therefore, since 2020, the company has been very oriented to promoting an organisational redesign plan:

The project is about rationalising the corporate structure and the internal and international reorganisation, simplifying the processes to make the group increasingly streamlined, efficient and capable of quickly adapting to the volatile and uncertain context in which it operates (CEO, Sustainability Report 2022).

However, the environmental challenges have been perceived by the situated rationalities of three actors: the CEO, the CFO and the Co-CEO.

The CEO is a member of the founding family, and his way of thinking is strongly linked to the company's roots. Alpha is a family-owned enterprise established by the CEO's parents, where he has been immersed since childhood, directly witnessing and engaging with the company's evolution. This deep-rooted involvement has played a pivotal role in shaping the CEO's vision, reinforcing the core values and organisational culture established by the founding family. Consequently, it has fostered a strong sense of belonging and a commitment to preserving and advancing the company's legacy. As a result, he undertook an important journey within the company that led him, over time, to take on the role of CEO.

The CEO's propensity for continuous transformative action, aimed at introducing innovative processes in Alpha, is strongly inspired by the '*forward thinking*' motto, '*a mission*' that the founder imprinted on the company from its creation and that his son continues to carry on:

Innovating is in our DNA. The past, the present, the future. And for us, innovating means investing in long-term projects (Corporate Press, 2021).

The CEO's way of thinking is attributed to innovation, digitalisation and the ways to create a company where all subsidiaries share standard processes, guidelines and operational approaches:

Doing business today presents unprecedented challenges, requiring new cultural tools and strategic visions (CEO, interview 2022).

Factors such as processes and product innovation, the adoption of a one-company logic across the group and the strengthening of the commercial network are strategic for the firm's success.

This awareness moved Alpha's CEO to introduce a new figure, the Co-CEO, to strengthen the transformation. The new co-CEO was nominated to lead, together with the CEO, the definition and implementation of a Group's radical process of organisational change:

Thanks to the experiences and competencies of co-CEO, the Group will strengthen the transformation and evolution process already underway to define an increasingly flexible organisational structure capable of quickly adapting to constantly changing contexts (CEO, company's website, 2022).

The new Co-CEO, considering the global scenario, incentivised the company to move from a divisional structure to a matrix structure based on processes that can better face the socio-economic context's dynamic. However, this change highlighted the inconsistencies between the existing MCS and the new organisation. This analysis was carried out through two main streams. First, it was based on a technical analysis with finance managers and key users with the aim of understanding the potential, constraints and gaps of the MCS. Second, the analysis involved the business process owners to identify strategic value drivers, map relevant drivers and gather management insight requirements. From the analysis, the following incoherences emerged (*Internal document of the company, 2023*):

- *the Business Units/Legal Entities centric data model (with a distinction between Headquarter vs. Subsidiaries) was too far from the new organisational approach cross-businesses, which emphasises collaboration and integration across various business units;*
- *the product profitability was partially measured. It may not be capturing all relevant costs, revenues or factors influencing profitability due to the lack of visibility over the entire business generation lifecycle;*

- *the control model was not aligned with ongoing and upcoming key Group projects (i.e. service intelligence, IoT);*
- *the main business drivers were not included in the 'finance perceived' control model, and parallel reporting was produced by functions to cover the lack of information. Finally, several data were available but not integrated to produce comprehensive information.*

The comparison between finance managers and key users of information and KPIs highlighted the need for simplification and efficiency, modernisation and openness, promptness and gradual delivery, change management for the transition and data quality by the process (source: internal documents and interviews). Additionally, the information, which helps guide the business in a complex global context, should be mainly forward-looking, product and customer-focused, with a full-cost model that considers service and engineering costs, and market profitability.

In this context, the decision to promote the adoption of a specific accounting tool was guided by the new Co-CEO and his previous work experiences with this tool in a company operating in another industry but with several aspects in common with Alpha: the family ownership, a multinational structure, a strong innovation orientation.

The arrival of the Co-CEO with notable experience in the finance world, who worked as a controller in the past, represented a great opportunity for the company. In fact, his arrival brought a new culture and a renewed focus to the importance of analysing financial data, which in turn enabled investments in essential finance tools, such as the new PMSPs (Controller, interview 2024).

According to the Controller, the arrival of the new Co-CEO represented a significant shift in the company's structure and management style, moving away from a founder-led or entrepreneurial approach to a more formal, professional management approach.

Furthermore, the Co-CEO's experience allowed him to share the potential benefits and positive impact of the new tool on business operations and decision-making processes with Alpha's top management team:

The Co-CEO's previous experience with similar tools allowed him to quickly understand the value of the new PMSPs. His background in management and control enabled him to immediately grasp the tool's potential (Data Governance and Reporting Manager, interview 2024).

The power of the Co-CEO has been amplified by the CFO; an accounting background and a keen awareness of performance measurement issues unite both. Therefore, the Co-CEO and the CFO belong to the same professional community. They shared similar educational backgrounds, technical language and ways of thinking, which facilitated and supported the implementation of change in the PMSPs. Moreover, the shared approach contributed to enhancing trust among managers, who recognised their common vision of validity and effectiveness for the implementation of the

new accounting tool. Thanks to Co-CEO leadership and positive influence, the top management adopted a proactive mentality, quickly accepting the accounting change and implementing the processes necessary for its integration. This dynamic has created an environment conducive to accounting for change. In other words, associating new practices with existing sets of taken-for-granted practices, technologies and rules made the adoption of the new accounting tool easier. The importance of shared leadership and synergy among an organisation's executives should not be underestimated, especially regarding critical figures such as the Co-CEO, the CEO and the CFO, who have the power of decision-making:

Introducing the new Co-CEO has led to a highly effective collaboration thanks to his quick agreement with the CEO and me, facilitated by our shared background in accounting (CFO, interview 2024).

Therefore, the new Co-CEO, because of his experience and vision, immediately found common ground with the CFO, thanks to a deep knowledge of accounting issues. This alignment has emerged as a pivotal factor for effective management and shared decision-making within the organisation. The similarity in the professional backgrounds of the two leaders created a solid foundation on which to build a successful partnership.

This common professional language facilitated communication and accelerated decision-making, enabling a rapid response to business challenges and emerging opportunities, and to accounting change (CFO, interview 2023).

The convergence of their backgrounds has proven valuable in situations requiring accurate economic and financial evaluation; in turn, this synergy has contributed to introducing changes in accounting. This effective collaboration was also crucial in interactions with other company functions. The Co-CEO, CEO and CFO's ability to present a unified strategic vision solidified the trust of managers and employees throughout the Alpha's subsidiaries.

4.2 Shaping the new pmmps: the role of situated rationalities

The rationalities of the CEO, the CFO and the Co-CEO were also fundamental for redesigning and implementing the new PMSPs.

The introduction of the new PMSPs is a multi-year project (Fig. 1) that began in October 2020 with the comprehensive design phase. From January to September 2021, the deployment phase was realised. This phase has foreseen the deployment of a new model of management control guidelines, the management of the transition and the provision of new pilot reporting model tools and key performance indicators. Specifically, in June 2021, a new reporting model (with a market profitability view) was implemented according to the new management control model, and the first test of the new reporting process was released. Moreover, in September 2021, Alpha prepared the budget reporting package for data collection and provided and coordinated the second report run for the third trimester and forecast for the fourth trimester.



Fig. 1 Timeline and key project milestones for implementing the new PMSPs. Source: our elaboration based on internal documents

The execution phase began in October 2021. This step made it possible to set up the platform to produce data both for the statutory and consolidated financial statements, as well as all data for the internal reporting to support management control processes. This approach helped to perform both the legally required (statutory) and internally focused (for decision-making purposes) consolidation of economic and financial data. The fourth phase, from April to September 2022, concerns the realisation of planning and the forecast processes. This step outlined the paths and actions needed to reach planned objectives and predict trends and outcomes. Subsequently, the project entered into the execution phase and the new PMSPs became fully operative. In March 2023, Alpha started reporting, budgeting and forecasting live in the new system.

For Alpha, the redesign process was very challenging and a shared vision and commitment among the CEO, Co-CEO and CFO have been essential:

These projects are very challenging; they are expensive and require time and dedicated human resources. Until now, projects like this have never been successful. The commitment of the CEO, Co-CEO and CFO were essential to initiate and implement the project. Without the strong commitment of top management, such a project risks starting and not finishing (source: Data Governance and Reporting Manager, interview 2022).

And two years later, he confirmed:

To implementing a tool like the new PMSPs, it is crucial to have the support of the CEO and the Co-CEO because the tool is not only technically advanced but also comes with a significant financial cost and requires time to be implemented effectively (Data Governance and Reporting Manager, interview 2024).

The new PMSPs tool impacts Alpha's financial resources and strategic direction, especially within critical areas such as finance. The tool's redesign involves the firm's pivotal tasks, such as budgeting, financial reporting and consolidated financial statements. Due to the relevance of these tasks, securing the top management's approval and engagement ensures alignment throughout the firm's functions, not only in terms of financial investment but also in driving organisational change over time. This kind of project can only move forward with the executive buy-in as they often have long-term implications for the company's infrastructure:

If anyone thinks it's like changing a car—just turn the key and go—they are seriously mistaken. For a tool like this, in addition to a significant financial investment, strong support from the CEO and Co-CEO and firm commitment from the board are essential; otherwise, the project risks running into serious trouble after six months. Without the support of the CEO and, above all, the Co-CEO, the initiator of the project, I believe we would not have got as far as we did. (Data Governance and Reporting Manager, interview 2024).

Although it was a well-structured and well-organised business, collecting and assembling data and information from the headquarters and the various subsidiaries in different geographic areas was difficult.

Alpha operates around the world, which contributes daily to the international success of the Group; this makes it even more challenging to collect and summarise quantitative and qualitative information in a logical, homogeneous and organic, including the uncertainty in evaluating the reliability and the objectivity of data. (Data Governance and Reporting Manager, interview 2022).

The process required Alpha to establish a specific function dedicated to the PMSPs realisation. The Co-CEO and CFO assigned the coordination and performance of activities related to the process implementation to a new figure, the Data Governance and Reporting Manager, along with three full-time employees and two part-time employees:

Adopting the new accounting tool has been supported by changes in organisational structure, resource allocation, corporate policies and operational strategies. The Co-CEO and CFO set the guidelines and entrusted me with the responsibility of the project (Data Governance and Reporting Manager, interview 2023).

To educate employees on the skills and knowledge necessary to support the new institution, Alpha organised in-office training courses and one-on-one training sessions. The decision to conduct one-to-one sessions was motivated by the specific characteristics of each subsidiary and the various questions presented by the participants. Therefore, the training process was firm specific:

Thanks to the effort of our team as well as the training provided, after a few months, the subsidiaries have become entirely autonomous; and pivotal point was the collaboration between colleagues from different subsidiaries that contributed to achieving decidedly positive results (Data Governance and Reporting Manager, interview 2023).

Notably, as the Data Governance and Reporting Manager reported, having a dedicated and competent team to implement accounting changes was pivotal to effectively support employees in adapting to new processes and systems, quickly addressing issues, facilitating communication among departments and overcoming initial resistance to

make it clear that the new PMSPs were a company-wide initiative, not just a finance project.

The new PMSP represents an essential source of new knowledge for the Group and triggered a process of change involving all the company's functions (CEO, interview 2022).

When it comes to rules and routines, a consultative management approach between the CEO, the Co-CEO, the CFO and the controller played a pivotal role in making the accounting change. The Alpha's controller was involved in the project from the beginning:

My role was primarily in the implementation phase, where I focused on providing the specifications and defining how the system should be configured. I worked on structuring the financial statements and determining the reclassifications needed for the management income statement (Controller, interview 2024).

This collaboration involved close coordination with the CEO, the Co-CEO and the CFO to establish the income statement and, along with the consultants, set the allocation rules and criteria for cost collection, deciding which data sources to utilise; in turn, it was essential in laying the groundwork for the effective use of the tool (in the realm of action), ensuring that it aligns with Alpha's strategic financial goals.

According to internal documentation (regarding Alpha's finance roadmap), the company understood that to redesign and implement its PMSPs, it should consider five main aspects: simplification and efficiency, modernisation and openness, promptness and gradual delivery, change management for the transitions, and data quality by process.

Simplification and efficiency refer to streamlining processes and systems by eliminating redundant or effective praxis to reduce the time to closing and reporting. In Alpha, this was possible thanks to the activity of cleaning data (coming from different sources) conducted by its employees. This makes it possible to maximise the value derived from PMSPs' analyses and to support leaders' informed and timely decisions.

Modernisation and openness refer, specifically, to the CFO role. With the new PMSPs, as the CFO's said, *'the CFO becomes a business partner, a 'co-pilot' of the business'* with a wide-ranging horizontal vision of the processes and contents typical of the administration, finance and control area (accounting, management control, ordinary and extraordinary finance, taxation, management of risks, etc.) and a strong knowledge of the market, sector and product dynamics of the company's business. The finance function can access all financial processes and all the information necessary to gain deeper insight, create sustainable value and accelerate decision-making to push the business in the right direction. This was one of the initial goals:

The finance function will be able to deal with not only financial statement data but also (and above all) forecasts, profitability, risk management, business analysis and strategic decisions (CEO, interview 2022).

Promptness and gradual delivery refer to managing incremental implementation to optimise the design and release time and assure up-to-date results consistent with the firm's cultural changes. Again, this was achieved through a shared vision between the CEO, CFO and Co-CEO about the company's path of transformation and also by the employees' training to make PMSPs' utilisation easy throughout the firm's subsidiaries.

Change management for the transition refers to the firm's ability to face tech change impacts, integration conflicts and new model acceptance. Finally, improving data quality implies placing responsibility on the data holder rather than managing the continuous cleaning or adjustment of data.

To achieve all these goals, the new accounting tool allowed Alpha to have a horizontal, transversal and interdisciplinary vision inside and outside the company, to close, plan, and get in-depth analytics quickly by combining operational and financial data into one platform owned by the finance area:

High volumes of data are easily transformed into actionable information, which creates value by allowing the finance function to support operations and anticipate risks and opportunities (Data Governance and Reporting Manager, interview 2022).

Thanks to this approach, Alpha can plan based on specific drivers, integrated business planning (strategic, financial, operational), integrated reporting, reporting by current legislation, more detailed profitability analyses and prospective programming executable in a single solution. Financial and business operations are aligned with a centralised source for analysing detailed data and modelling any process to the smallest detail. As stated by the controller, the tool plays a pivotal role in enabling Alpha to analyse all products at a global consolidated level across various geographical areas, down to the detail of individual items. This capability is significant because it goes beyond simply analysing revenue and product costs—tasks we were already managing. It also allows Alpha to allocate all service-related costs, technical office expenses, and more, using work orders, timesheets and other resources. Establishing connections between these diverse data sources has been crucial.

The key benefits of the adopted tool emerged, firstly, from internal documents regarding Alpha's finance roadmap such as a series of strategic documents outlining the company's financial goals, strategies and initiatives over a specific time frame. The first benefit is automation in terms of closing, consolidation, planning, and the reporting model realised in the system, balancing and integrating all relevant data sourcing to cover business information requirements, and the overall data consistency guaranteed by PMSPs' features, preventing manual errors. The second benefit is efficiency; system workflow-driven processes reduce manual activities and time-consuming controls, allowing controllers to focus on data analysis and to provide relevant information to the business in a timely manner to drive key decisions. The third benefit is scalability; the new tool is a flexible and dynamic model able to evolve with the Group by integrating all the progressively available data and consistently updating all key projects' progress to provide timely, updated, relevant and reliable information. The fourth benefit is its uniqueness—a single source of truth for all data,

KPIs and reports, allowing a Group-wide understanding and homogeneous reading of information thanks to a standard naming conversion throughout all departments. The last benefit is segregation: users' authorisation rules and approval workflow integrated into the system to effectively enable the clear separation between data generation ('*Stuart*') and providing information ('*Business Partner*').

Thereafter, the first months of the tool's activities confirmed that the redesign and implementation of the new management control system were progressing smoothly and effectively, gradually producing the expected outcomes:

When I presented the first results produced by the new tool to the Co-CEO, his background in accounting and previous experiences allowed him to grasp the tool's value quickly. He was enthusiastic and aware of the tool's potential. He already knew the end result and the benefits the tool could offer. His reaction was positive, and the results were not surprising for him, but rather a confirmation of his expectations of the tool (Data Governance and Reporting Manager, interview 2024).

As stated by the Controller, the innovativeness of the tool can be viewed from different perspectives. The new PMSP allows for the integration of various data sources and the construction of criteria and drivers for cost allocation across multiple dimensions, which would be impossible with other tools. The extracted data can be loaded into a data platform and used to create Power BI reports, which represents a new technological landscape compared to previous systems, enabling the creation of advanced dashboards and KPIs. The real added value lies in the innovative ability to process and normalise data thanks to the extensive efforts of IT and implementation consultants. This integration enables a consolidated and comprehensive data view, enhancing decision-making and operational efficiency. The CEO, Co-CEO and CFO played a crucial role in changing organisational routines and defining new rules to institutionalise the new PMSPs. Their different situated rationalities made it possible to achieve a challenging but, as in the CFO's words, '*epochal change*' for the company by understanding, filtering and responding to internal demands and needs pressured by external shock events. Also, in this case, situated rationalities enabled the key actors of corporate governance to navigate complexities by leveraging experiences and expertise, thus fostering adaptability and innovation within the organisation.

This extensive and multifaceted transformation process, grounded in strategic alignment, strong leadership, and coordinated efforts across all levels of the organisation, culminated in a fully integrated system, as confirmed by the Data Governance and Reporting Manager two years after implementation.

After about four years of intense and complex work, which required a deep level of integration across all the companies in our group, we finally have a fully integrated system in place. The process was far from linear, we encountered delays and had to overcome several critical issues along the way. But today, all our production sites and subsidiaries, from Indonesia to Malaysia, from Australia to the United States and Brazil, are working with the same tool and

following the same processes. That might sound trivial, but I can assure you it's a major achievement. Especially in international groups like ours, where operational habits and tools vary significantly, just consider how differently a Chinese colleague might work compared to an American or a German one. Even our implementation partners recognized how complex our scenario was. But now, we all have access to an innovative, powerful, fast, efficient, and effective tool that is standardized across the entire group, at every level (Data Governance and Reporting Manager, interview 2024).

5 Discussion

5.1 The institutionalisation of new PMSPs and the role of key actors' situated rationality

Drawing on institutional theory and a qualitative research approach, this study explored how the situated rationalities of key actors shaped the adoption, implementation, and institutionalisation of new management accounting tools and performance management systems and processes (PMSPs). Specifically, Fig. 2 shows the institutionalisation process of the PMSPs in terms of the extended framework of ter Bogt and Scapens (2019), highlighting the situated rationalities of key actors involved in corporate governance. Specifically, we explored how the CEO, Co-CEO and CFO's rationality influenced the adoption of a new accounting tool, such as the PMSPs, and how this tool has been used and spread all throughout the company, such as guidance for the organisational members.

As highlighted by other research (Dwived et al., 2020; Roth et al., 2024), also in the case of Alpha broader institutions were perceived to have shifted significantly in the aftermath of the COVID-19 outbreak, which represents a contextual event that contributed to heightened awareness of external volatility. This observation is consistent with the view that accounting change is often prompted by a confluence of environmental dynamics, including regulatory developments, technological advancements, economic pressures, and evolving managerial roles (Sentuti & Cesaroni, 2019; Malmmoose and Skjøtt (2024). This perception shaped how Alpha's leadership interpreted institutional pressures and prioritised the need for accounting innovation.

Alpha's organisational change occurred when the CEO recognised environmental uncertainty, and innovation became a means to gain competitive advantages and address the challenges of operating in uncertain conditions. The COVID-19 pandemic forced Alpha to rethink its operations, priorities and outlook toward more flexible behaviour. This external environmental disturbance forced the organisational members to alter the characteristics of their organisational life, representing 'an important enabling role' (Battilana et al., 2009, p. 75) for the implementation of company changes. Therefore, the broader institution led Alpha to reconsider its approach to the market, changing its decision-making and organisational models (Lawrence & Suddaby, 2006). The pandemic made the environment in which Alpha operates more complex, and factors such as digital transformation, the redesign of critical processes, the work organisation, sustainability and inclusion became pivotal for the firm's suc-

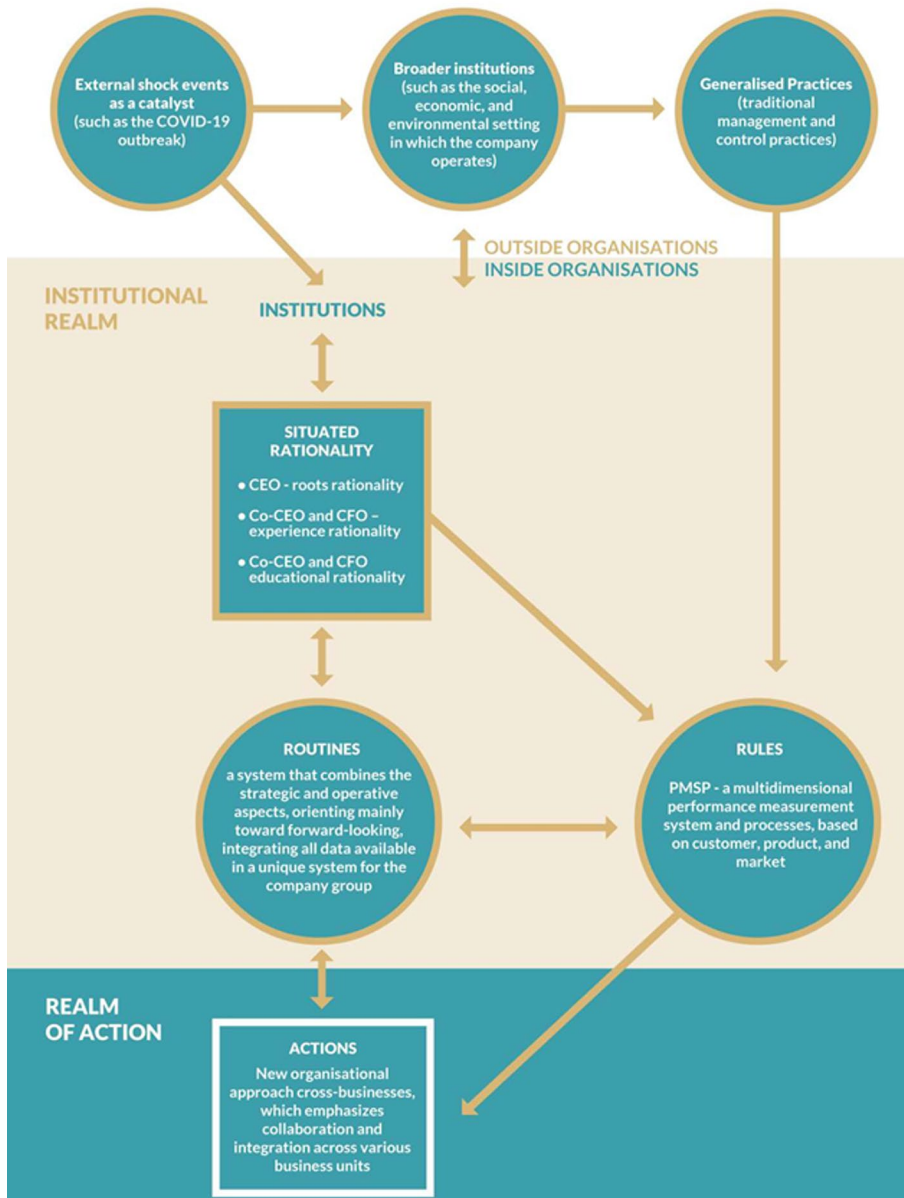


Fig. 2 The institutionalisation process of PMSPs and the role of situated rationality in Alpha. Source: our elaboration from the terBogt and Scapens (2019) and Bertz and Quinn (2022) framework

cess. However, not all companies have recognised and exploited the opportunities that emerged from this new context, because the external broader institution relates to internal institutions and situated rationalities within the organisation. In this context, Alpha recognised the need to evolve in an innovative way to face the challenges of the economic and social settings.

Particularly, the CEO, Co-CEO and CFO's situated rationalities influenced the perception of challenges posed by the environment and promoted an accounting change such as the new PMSPs.

Specifically, the CEO is a member of Alpha's founding family, and he fulfils a dual role: a member of governance responsible for defining strategies and, at the same time, a member of the founding and owning family in charge of continuing the family business. Thus, Alpha's CEO can be firstly considered an internal institution 'which evolves as a result of the history of the organisation' (ter Bogt & Scapens, 2019; p.1804) that, through its leadership style, acts as a lever to technological and cultural change. Furthermore, although the CEO does not have an educational background in accounting, his situated rationality, characterised by a combination of Alpha's corporate identity and managerial skills able to incentivise innovation and guide transformation, makes the accounting change possible. The CEO's situated rationality makes him aware of the importance of implementing an effective performance measurement system, especially for strategic and planning purposes in terms of orienting business choices, decisions and changes. Therefore, the CEO acts as an organisational leader – with the power to allocate resources (human, financial, time) and the sensitivity to innovation and accounting. Therefore, this dual role makes the CEO the bearer of Alpha's founding principles and historical evolution, as well as the leading promoter of innovation thanks to the entrepreneurial legacy received from the founder, based on the push towards continuous innovation and embedded in the organisational culture and routines.

Therefore, we can conceptualise the CEO's situated rationality as 'roots' rationality. The CEO's embodiment of roots rationality manifests in various ways. For instance, the CEO emphasises the importance of innovation and adaptability (integral to the founder's approach) by promoting a culture of continuous improvement and forward-thinking. Thus, the CEO reinforces that honouring the past does not preclude embracing change but enhances the organisation's ability to thrive in a dynamic environment, focusing on implementing accounting change. Moreover, the CEO actively seeks to instil these foundational values across all levels of the organisation, fostering a sense of shared identity and purpose among employees. The CEO integrates the founder's legacy into the company's operational ethos and cultivates an environment where employees are motivated to uphold these traditions while contributing to the company's evolution. This root rationality influences decision-making processes, guiding the CEO to prioritise long-term strategies that align with the organisation's core values. In times of uncertainty or transformation (such as those influenced by the COVID-19 pandemic), the CEO's commitment to maintaining the imprint of the founder becomes a stabilising force, implementing a new accounting tool able to provide clarity and direction for the organisation.

Particularly, the CEO acted as an institutional entrepreneur by driving and legitimising accounting change within Alpha. As theorised by DiMaggio (1988) and further elaborated by Linneberg et al. (2021), an institutional entrepreneur is an actor equipped with sufficient resources, strategic intent, and self-interest to promote institutional change in response to structural pressures. In this case, the CEO strategically leveraged financial, human, and technological resources and actively engaged with key stakeholders to promote the adoption of a new PMSP. However, the CEO

did not operate in isolation. Consistent with Linneberg et al. (2021), institutional entrepreneurship requires active collaboration with other organisational members and stakeholders. The CEO's ability to establish reciprocal and trust-based relationships within the organisation and across the institutional field was essential to gaining legitimacy and support for the proposed change. By exercising social skills, particularly, the ability to induce cooperation (Fligstein, 2001), the CEO facilitated alignment among actors, contributing to the development of collective understanding and shared norms around the necessity and legitimacy of the accounting innovation. The CEO's actions thus reflected a clear awareness of how to navigate and influence the institutional field, understood as a relational space shaped by mutual recognition and interaction among actors (Wooten & Hoffman, 2008). Through these interactions, the CEO helped foster collective rationality, enabling the organisation to reconfigure its accounting practices in line with a new strategic vision. In sum, the CEO embodied the characteristics of an institutional entrepreneur by mobilising resources, forging alliances, and shaping shared beliefs to institutionalise accounting change within Alpha.

The introduction of the PMSPs was also possible thanks to Alpha's Co-CEO and CFO. The Co-CEO and the CFO's inclination toward management accounting innovation is an expression of their educational background (both are accountants), and both, as members of Alpha's top management, are concerned with monitoring and managing data and achieving the strategic objectives; therefore, all these aspects translated into the willingness to support the implementation of the PMSPs. In fact, the Co-CEO and CFO are sensitive to accounting and this inclination allows them to be more responsive or receptive to accounting principles, practices and financial information. In turn, it promotes an awareness of the importance of accounting data for all business operations, from the planning and control choices to the execution phase. Therefore, educational rationality plays a key role in organisational decision-making, based on the prior knowledge and competencies that individuals have from their past experiences. This concept represents the accumulated stock of information that members of an organisation can systematically organise, analyse and utilise to take decisions. In the context of Alpha, the Co-CEO and CFO exemplify this rationality through their heightened sensitivity to accounting principles and practices. Their expertise in financial matters equips them with the ability to interpret complex data and fosters an environment where accounting is viewed as an integral part of strategic decision-making. This inclination toward accounting enables the Co-CEO and CFO to respond more effectively to economic and financial information needs, by spreading a broader organisational awareness of the significance of accounting data across all business operations. Moreover, by providing a culture of economic and financial literacy, they empower employees at all levels to recognise how their roles contribute to the organisation's long-term performance. The organisational members' situated rationality is a company firm's specific factor and can make a company particularly sensitive to certain logics and less so to others; moreover, in the case of Alpha, the Co-CEO and CFO's situated rationality can be conceptualised as 'experience' rationality (Bertz & Quinn, 2022) and as 'educational' rationality.

Therefore, the external shock event as a catalyst (such as the COVID-19 outbreak) for the change, the roots and educational rationalities represent the three factors

enriching the framework proposed by ter Bogt and Scapens (2019) and Bertz and Quinn (2022). The COVID-19 pandemic triggered the organisational change, creating pressures that institutional entrepreneurs (the CEO) within Alpha recognized and responded to strategically. This dynamic resonates with the findings of de Oliveira et al. (2024), who show that management accounting practices can act not only as tools for control but also as enablers of change through their representational gaps and situated use. At Alpha, the new PMSPs created a space for reinterpretation and dialogue, mirroring how, in their study, accounting practices facilitated interaction between competing institutional logics by enabling managers to inscribe their own meanings into performance representations. Rather than distorting organisational reality, these ambiguities stimulated change by allowing the alignment of personal rationalities with strategic objectives.

The new PMSPs are three-dimensional, based on the customer, product and market. The customer perspective allows Alpha to capture customer feedback and purchasing trends, which can be pivotal in developing targeted strategies to improve customer service. The product dimension facilitates an in-depth understanding of product performance across various segments. It provides insights into sales volumes, profitability and market trends for each product. This dimension enables Alpha to allocate resources more effectively, optimise product portfolios and enhance innovation efforts. The market dimension allows Alpha to understand its position in the reference markets. The new system integrates strategic and operational aspects, primarily focusing on a forward-looking approach that consolidates all available data into a single platform for the company group. In this way, the PMSPs support both strategic and operational decisions by providing information and KPIs based on the processes through which the corporate group is managed. Notably, by delivering real-time data and insights, the PMSPs enable managers to make operational decisions that align with strategic objectives. This alignment ensures that resources are allocated efficiently and that all functions collaborate toward common goals. Additionally, it empowers decision-makers to respond swiftly to emerging opportunities and challenges and fosters continuous improvement by offering performance metrics that identify areas for enhancement. Such outcomes parallel the findings de Oliveira et al. (2024) who argue that the use of accounting practices in complex institutional settings can be constructive rather than deterministic. By allowing local actors to redefine performance through their situated rationalities and professional judgment, accounting becomes a generative space for new organisational understandings and transformations. Therefore, thanks to the introduction of the new PMSPs, finance would begin to assume the role of a business partner beside the CEO to define the global corporate strategy.

The distinction between implementation and institutionalisation is critical in understanding the role of institutional forces and individuals in shaping accounting change.

Implementation refers to the technical and operational process of adopting and integrating a new system, such as the PMSPs, within an organisation. It involves concrete actions like designing reporting models, setting up data platforms, training employees, and ensuring functional alignment across business units (Kostova & Roth, 2002). However, institutionalisation goes beyond mere implementation, it

represents the deeper embedding of the new system into the organisation's structures, routines, and decision-making logic, making it an accepted and taken-for-granted part of organisational life (Tolbert & Zucker, 1996).

At Alpha, the PMSPs were implemented through structured phases—design, deployment, execution, and integration—driven by strategic decisions and technical adjustments. However, the institutionalisation process was shaped by broader institutional forces (such as the external economic context and the COVID-19 pandemic) and the situated rationalities of key actors (CEO, Co-CEO, and CFO). These actors not only facilitated the adoption of the PMSPs but also legitimised and embedded them within Alpha's organisational fabric, ensuring their acceptance and long-term sustainability. Their role extended beyond technical execution to influencing how the new system was perceived, used, and adapted to the company's strategic vision. Specifically, in Alpha, the new PMSPs are in an early stage of institutionalisation. This means that the practice has become progressively embedded in the organisation's routines and norms, with widespread adoption across different levels and functions. It has gained legitimacy in the eyes of both employees and key stakeholders, who now perceive it as a standard and expected way of operating. Although the system was introduced only recently, it has already demonstrated signs of institutional stability and continuity, suggesting that it is no longer seen as a temporary initiative but as a permanent and integral part of organisational practice.

The PMSPs implementation at Alpha was not a mere technical process but a broader transformation shaped by external pressures (e.g., the COVID-19 pandemic) and the situated rationalities of key decision-makers.

The CEO, deeply connected to the company's founding values, acted as an institutional entrepreneur, legitimising change while ensuring alignment with Alpha's long-term vision. Anchored in a form of roots rationality—rooted in innovation, strategic foresight, and a deep sense of organisational identity, he positioned the PMSPs as instruments of long-term resilience and adaptive capability. In line with Di Maggio's (1988) conception, the CEO possessed the necessary resources, authority, and self-interest to initiate institutional change, but crucially, he did not act in isolation. Rather, his effectiveness stemmed from his ability to cultivate strong, reciprocal relationships with key organisational members, thereby bridging the gap between his role as change agent and the institutional structures he sought to transform (Linneberg et al., 2021). Through active engagement and the exercise of social skills, notably, the ability to induce cooperation and build consensus (Fligstein, 2001), the CEO contributed to shaping the institutional field as a relational space where shared understandings and values could emerge (Wooten & Hoffman, 2008). This enabled the construction of collective rationality, a shared interpretive framework that made the introduction of PMSPs not only legitimate but meaningful at both organisational and field levels. Meanwhile, the Co-CEO and CFO, both with strong accounting backgrounds, embodied an educational rationality, playing a pivotal role in translating the CEO's strategic vision into concrete operational practices. Their technical legitimacy and domain expertise facilitated trust among staff (Johansson & Baldvinsdottir, 2003; Busco et al., 2006), helping to embed PMSPs into the organisation's decision-making culture, day-to-day processes, and management control systems. In doing so, they

reinforced the institutional entrepreneur's efforts by ensuring that accounting change was not only adopted, but also sustained through internal alignment, capability-building, and shared commitment.

The early stage of institutionalisation refers to a phase in which a practice is embraced by a pioneering group, even though it is not yet widely known or adopted in the broader field. Within this small group, the practice is already perceived as common sense, helpful, or even necessary, it is taken for granted in their context. However, outside this circle, the practice may appear novel or experimental. This early institutional foothold lays the groundwork for broader acceptance and full institutionalisation. This distinction underscores how accounting change is not just a technical shift but an ongoing organisational transformation, influenced by both institutional pressures and the strategic actions of key decision-makers. The situated rationalities of key actors played a crucial role in advancing PMSPs beyond mere implementation, fostering their acceptance as a legitimate and valuable tool, even if they have not yet become fully embedded as an unquestioned part of Alpha's governance and operational framework.

Alpha's experience highlights that accounting change is a dynamic and evolving process, shaped by institutional influences, the situated rationalities of key actors, and the interplay between implementation and institutionalisation. This empirical phase illustrates that these two processes are not sequential or distinct but mutually reinforcing. As the technical features of the PMSPs were being implemented, through system configuration, data integration, and training, managerial narratives, symbolic actions (such as CEO endorsement), and interpretative efforts contributed to building organisational legitimacy around the new system. Activities like training sessions and pilot projects functioned not only as enablers of practical adoption, but also as rituals that normalised the new practices and aligned them with Alpha's strategic vision. In this way, implementation acted as a vehicle for institutionalisation, while growing normative acceptance helped stabilise and sustain implementation efforts. At this stage, PMSPs are widely used and increasingly perceived as legitimate tools for decision-making, and financial data and performance measurement practices have become embedded in organisational routines. However, given Alpha's complexity, the rapidly changing context, and the growing expectations of multiple stakeholders, these systems will likely remain subject to continuous reassessment and adaptation, an ongoing process necessary to ensure their continued relevance and effectiveness.

5.2 Theoretical and practical implications

In today's social, political and economic context, implementing an effective performance and processes measurement system is fundamental mainly because it has been recognised as a pivotal factor in the firm's long-term success (Parker, 2020; Passetti et al., 2021). By responding to Linneberg et al. (2021) to contribute to the institutionalisation research stream that emphasises the role of individuals within institutional theory, and to Bertz and Quinn's (2022) to investigate the concept of situated rationalities in shaping management accounting change, this study offers theoretical and practical implications.

From a theoretical perspective, this study contributes to the academic debate on institutional theory by emphasising the role of individual actors in institutionalising accounting change. It aligns with the broader research stream that reintroduces individuals into institutional theory (Linneberg et al., 2021). It challenges the traditional focus on organisational and institutional structures as the primary forces shaping behaviour. Building on the work of ter Bogt and Scapens (2019), who explore the situated rationalities of different groups within an organization, this study extends their perspective by incorporating empirical data that supports the conceptual framework of Bertz and Quinn (2022). Their work highlights the importance of the situated rationalities of key individual actors (“experience rationality”) in driving management control changes.

Traditionally, institutional theory has emphasised structural and environmental influences on organisations, often overlooking the active role of individuals in shaping institutions. However, as Linneberg et al. (2021) argue, institutions are not static; they evolve through the actions and interpretations of individuals. This study underscores how organisational leaders do not simply react to external institutional pressures, such as economic or regulatory demands, but actively interpret, adapt, and shape these pressures into new organisational practices. This reflects the concept of agency within institutional theory, where institutions influence actors and modify them through strategic decision-making.

The concept of situated rationality further reinforces this perspective, emphasising how leaders’ experiences, expertise, and personal values influence the adoption and dissemination of new systems or practices. Expanding on Bertz and Quinn’s (2022) framework of individual rationalities, this study identifies two additional forms: roots rationality, which refers to how an individual’s background, history, and deep-rooted beliefs shape their decision-making and approach to institutional change, and educational rationality, which, although partially encompassed in Bertz and Quinn’s notion of experience background, is argued here to be conceptually distinct. Unlike learning from experience, educational rationality is rooted in a deliberately structured process, typically delivered through formal institutions such as universities or professional bodies, designed to shape thought patterns, decision-making models, and worldviews (Apostolou et al., 2013). In professional fields such as accounting, educational rationality forms the bedrock of a disciplined, ethical, and detail-oriented mindset grounded in regulatory frameworks and codified knowledge (Tavares et al., 2023). This skilled mindset is increasingly enriched by a lifelong learning orientation, marked by curiosity, adaptability, and proactive engagement with continuous development (Drewery et al., 2020). Moreover, accounting education contributes to the development of both a shared and a technical-specific language among practitioners, fostering the creation of a collective cognitive and communicative space in which meaning is constructed through the mutual understanding of specialized terms and concepts (Graham, 2013). This type of education plays a crucial role in shaping individual comprehension and the conditions necessary for dialogue and collaboration within the accounting profession (Graham, 2013).

By integrating these perspectives, this study provides a more nuanced understanding of how individual actors bridge the gap between institutional pressures and

organisational transformation, ultimately shaping the institutionalisation of accounting practices.

The roots rationality concerns individuals who, within the organisation, pursue the objective of maintaining the imprinting that the founder has left in the company's *modus operandi*. In the case of Alpha, the roots rationality is expressed by the CEO, who is also a member of the Alpha's founding family. The CEO interprets the present not forgetting the past but at the same time projecting the company into the future.

Therefore, roots rationality refers to the way individuals within an organisation prioritise preserving and embodying the foundational principles established by the company's founder. This form of rationality is deeply embedded in the organisation's cultural memory and serves as a compass for action, especially during periods of institutional or strategic change. It reflects a logic of appropriateness, where decisions are not solely guided by instrumental or efficiency-based reasoning, but by a perceived obligation to uphold the founder's legacy, ethos, and long-term vision. Roots rationality typically manifests in individuals with a dual identity, particularly those who simultaneously hold formal leadership roles (such as CEO or board member) and maintain familial or historical ties to the organisation's origins. These individuals act as custodians of the legacy, interpreting organisational challenges and opportunities through a lens shaped by continuity, tradition, and emotional commitment. Their strategic decisions often aim to balance innovation with respect for past achievements, ensuring that change does not come at the cost of the organisation's core identity. This form of rationality influences a wide range of organisational dimensions: from the adoption of new technologies to the design of performance measurement systems and the way success is defined and communicated internally. In some cases, roots rationality may serve as a source of stability and legitimacy, offering a unifying narrative that sustains organisational coherence. However, it can also generate tensions when external pressures (e.g., market dynamics or regulatory changes) demand significant departures from traditional practices. Therefore, roots rationality underscores how strategic choices are situated within social, symbolic, and historical contexts, highlighting the non-instrumental, value-laden dimensions of managerial decision-making, particularly in organisations with strong founder legacies or family ownership structures.

Educational rationality is grounded in an individual's formal education, professional training, and accumulated expertise. It represents the cognitive framework through which organisational members perceive, interpret, and act upon information. This form of rationality is not merely about possessing technical knowledge; it also involves the internalisation of disciplinary norms, problem-solving approaches, and evaluative criteria specific to one's field of education. In this sense, educational rationality shapes how individuals make sense of complex organisational situations, guiding their decisions in line with what is considered valid or legitimate within their professional domain. Importantly, educational rationality **varies** across professional backgrounds, contributing to the heterogeneity of thought and functional expertise within the organisation. For instance, members with an accounting or financial background—such as CFOs or controllers—possess not only a solid grasp of accounting principles and financial analysis but also a mindset oriented toward quantification, performance measurement, and risk assessment. This makes them particularly influ-

ential in steering strategic decisions, especially in areas involving resource allocation, budgetary control, and investment evaluation. These professionals tend to recognise the critical role of financial information across all organisational levels, from strategic planning and decision-making to operational monitoring and evaluation. Their educational rationality enables them to identify relevant metrics, ensure data integrity, and advocate for the adoption of accounting tools and systems that align with the organisation's informational and control needs. Moreover, their influence often extends beyond technical tasks to shaping the overall governance and accountability culture within the firm. In essence, educational rationality underscores the way in which knowledge, training, and professional socialisation affect how actors perceive their environment and execute decisions. It highlights the cognitive dimension of institutional behaviour and explains how expert knowledge can act both as a resource for change and as a stabilising force in organisational routines.

Therefore, for accounting change to be effective, it requires the interaction of different types of rationality such as the financial expertise of accounting professionals combined with the perspectives of other top management members who own power, resources and a way of doing business that integrates past, present and future perspectives (Bassani et al., 2021). Specifically, the pre-institutionalization phase, change typically originates from external pressures and is driven by a small group of decision-makers, often top management (Tolbert & Zucker, 1996). At this stage, individuals with specialized expertise, such as accounting professionals with financial knowledge, play a pivotal role in identifying inefficiencies, conducting technical assessments, and advocating for change. However, for the transformation to gain legitimacy and momentum, their rationality must be complemented by the perspectives of other senior leaders who have the authority, resources, and strategic vision to integrate past, present, and future considerations into the decision-making process. As the process advances to institutionalization, the broader engagement of leadership and structured implementation strategies become essential (Tolbert & Zucker, 1996). Trust and alignment between leaders—particularly those combining financial expertise with strategic business insights—help facilitate legitimacy, mitigate resistance, and ensure sustained commitment. This phase involves refining the new practice through pilot implementations, training, and iterative adjustments, demonstrating how different rationalities must interact and complement each other to drive successful institutionalization. Finally, institutional change is not just a technical process but also a social and strategic one, requiring a balance between expert knowledge, power structures, and long-term organizational vision. Full institutionalization is only achieved when these rationalities converge, embedding the new practice into routines, making it widely accepted and taken for granted within the organization (Kostova & Roth, 2002).

From a practical perspective, this study offers several contributions.

First, leaders' situated rationality regarding shared vision, values, objectives, educational background and knowledge represented the dividing line towards the success or otherwise of the instrument implementation. These results imply that, for companies, the will of the company's leaders plays a crucial role in promoting an organisational culture able to drive accounting change. Those responsible for the decision-making processes have the power to drive strategic shifts in the manage-

ment accounting system. Moreover, this change can be facilitated by individuals' shared knowledge, experiences and competencies to clarify the long-term benefits of implementing new PMSPs and to build trust and transparency with employees throughout the company. Therefore, without the endorsement and alignment of decision-makers on accounting change, it may be challenging to implement new PMSPs within the management and control system. Therefore, corporate governance is pivotal to setting up the system that directs and controls firms; governance bodies such as the top management can influence the quality of the decision-making process and the company's success.

Second, training employees among the many subsidiaries was fundamental to implementing the accounting change. These results imply that, for companies that decide to introduce accounting change, the employees' awareness of the reasons for the change and the expected benefits are pivotal to overcoming resistance to change. Training provides the skills necessary to use the new tools and to adopt new practices quickly.

Third, introducing the new PMSPs has been preceded by a change within firms' organisational structure. These results imply that, for companies, the accounting change may require a change in the organisational structure to ensure that the firm's design supports the goals and requirements of the renovated performance management system, meaning that companies that adopt integrated and extended planning at all operational levels demonstrate greater control over the business, are more resilient to change and can face market-critical issues with greater reactivity.

Finally, the reasons that push firms to redesign PMSPs can be related to the need to introduce a forward-looking approach in the control model: to provide information ahead of time rather than report the past; to provide timely information on market profitability as an important factor influencing the control model and the finance function; to properly focus on the integrated line and machine utilisations by customers; to allocate costs on customer, product and market; and, finally, to increase efficiency and the proper time for business analysis rather than for scorekeeping. These results imply that, for companies, the changed social, political and economic context poses the need for firms to be proactive in their decision-making rather than reactive, to improve cost allocation for better financial management, and to dedicate more time to strategic business analysis rather than to traditional accounting.

6 Conclusion

Notwithstanding the contributions of this study, certain limitations must be recognised. The main limitation of this study is related to the restricted data sources and their implications. Primary data refers to a few short interviews due to the limited time we were given by our interlocutors. Therefore, it was not always possible to go into all the aspects that would have been useful to explore in more detail with those directly involved. However, since a perfect amount of data collected from the field to guarantee rigour does not exist (Tracy & Hinrichs, 2017), we tried to compensate for the limited primary data with other secondary sources to provide meaningful and significant findings for theory extension (Eisenhardt, 2021). We call for

further empirical studies focusing on the situated rationality that leads to changes in accounting by profoundly investigating the redesign process of PMSPs from the first introduction to the institutionalisation phase. Furthermore, enriching the analysis involving multiple case studies in a similar context would be valuable to identify similarities or differences between cases. This could lead to identifying different types of situated rationality influencing the accounting changes. Moreover, future research could investigate companies with traditionally longer-standing expertise in PMSPs to understand whether and how their adoption increased a firm's effectiveness in strategic decision-making. Finally, further research may also investigate the companies' practices in different countries to highlight how other institutions may influence the management process underpinning accounting change.

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Declarations

Conflict of interest The authors declare that they have no conflict of interest related to the content of this manuscript.

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Federica Palazzi Federica Palazzi, Ph.D., is an Associate Professor in the Department of Economics, Society and Politics at the University of Urbino (Italy), where she teaches Accounting and Business Administration II, International Financial Reporting Standards, and Business Plan and Budgeting for Culture and the Environment. Her main research interests include entrepreneurship, small and medium-sized enterprises, corporate performance, corporate social responsibility and sustainability, social and intellectual capital, earnings management, management control systems, and gender issues in the public and private sectors.

Annalisa Sentuti Annalisa Sentuti, Ph.D., is an Associate Professor at the University of Urbino (Italy), Department of Economics, Society, Politics, where she teaches Accounting, Business Administration, Sustainability and ESG Reporting. Her main research interests include entrepreneurship, small and medium-sized firms, family firms, management control systems, corporate governance, corporate performance measurement, corporate sustainability reporting, governance and gender issues in the public and private sector.

Annalisa Sentuti Francesca Sgrò, Ph.D., is a research fellow at the University of Urbino (Italy), Department of Economics, Society and Politics. Her main research areas include entrepreneurship, small and medium-sized firms, intellectual capital, knowledge management, social enterprises, corporate social responsibility, sustainability reporting, artificial intelligence, and strategic planning and control.