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**ACCOUNTING IN HOSPITAL ORGANISATIONS
IN NEW ZEALAND: A QUALITATIVE STUDY IN
THE REFORM CONTEXT OF 1984-1994**

**A thesis presented for the degree of
Ph.D in Management Systems
at Massey University**

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ABSTRACT

Most general hospitals in New Zealand operate as part of the public sector. Since 1984, that sector has been the subject of radical, government led reforms. The espoused theory of these reforms has been expounded in terms of improving efficiency and effectiveness, and increasing accountability (Boston, Martin, Pallot & Walsh, 1991; G. Scott & Gorringer, 1989). The outward effects of these reforms on the hospital system consist of organisational changes, including the creation of hospital enterprises; changes to the way organisations are financed, including the use of taxes to purchase hospital products delineated according to diagnosis related groups [DRGs]; and changes to their management structures with a policy of *general management* replacing *triumvirate management*.

Inevitably, these official changes have led to social changes to the system in general, and to the situated practice of accounting (Chua, 1988). In this study, an attempt has been made to describe and interpret these changes in the hospital system context, and to shed some light on the way in which accounting has come to be practised within that context. The theoretical posture of the study is a blend of rational, structuralist perspectives, and natural, interactionist ones (Boland & Pondy, 1983; Roberts & Scapens, 1985; Silverman, 1985; Denzin, 1989b). Consistent with this posture, the study strategy of control and design is a version of analytic induction (Denzin, 1989b; Silverman, 1985). The strategy comprised three phases during which a rough notion of accounting in hospital organisations was transformed into a working interpretation; data were gathered and analysed; and a thesis was compiled. The latter comprises thick descriptions and thick interpretations (Denzin, 1989a, 1989b; Patton, 1990) of the hospital system context and the situated practice of accounting; and a theory-in-use (Argyris, 1990; Argyris & Schon, 1974) which provides "explanations in terms of conditions of possibility" (Miller, 1990, p. 329) of what has been occurring in the hospital system, and the role of this situated practice in these occurrences.

Underlying the study methodology was the notion of crafting both the study design and the theory which the study aimed to discover. The data were obtained using methods associated with naturalistic inquiry during time spent in the field. The use of these methods was prompted by a dearth of research published in this area relating to New Zealand, the wide range of perspectives among people participating or interested in the organisations, and the enormity of the changes to the system. The data were

accumulated triangulately (Denzin, 1989b) from among different kinds of participants working on hospital sites (e.g., doctors, charge nurses, other health professionals and hospital staff with managerial responsibilities), from interested parties off-site (e.g. people working in the Department of Health, regional health authorities and organisations outside of the hospital system), and from official documents and published academic literature. The main vehicle used in the field was the *nonschedule standardised interview* (Denzin, 1989b), and inquiries focused, in turn, on practices relating to the budget, cost data reports and the annual report. In addition, interviews of a more general and exploratory nature, and some questionnaires, were used in the preliminary stages of the study.

The picture which emerges from the study comprises four aspects:

- (a) a hospital system subjected to macro-level disturbances that have caused a mixture of effects in terms of structures, processes, interactions and outcomes;
- (b) an emergence of accounting since the mid-1980s in multiple roles, which are reflective and constitutive of organisational and social practices developing in the system (Ansari & Euske, 1987; Boland & Pondy, 1983; Burchell, Clubb & Hopwood, 1985; Chua, 1995; Kelly & Pratt, 1992; Loft, 1986; Roberts & Scapens, 1985);
- (c) qualified success for the situated accounting practice in the role of a political force in converting hospitals to a more effective form of organisation (Mintzberg, 1991); and
- (d) accounting practice at a fork in the road ahead, one way leading to its contamination of hospitals by inappropriate forces and forms (Mintzberg, 1991) based on production management; and the other leading to its emergence as an important support in a hospital system founded on a more conjoint organisational configuration (W. R. Scott, 1982) in which professionals and managers apply their craft cooperatively for the joint and several benefit of patients.

These findings have implications which policy makers, health professionals and the public are urged to evaluate.

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