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# Getting Management Accounting off the Ground: Postcolonial Neoliberalism in Healthcare Budgets

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## Abstract

Taking Sven Modell's (2014, pp. 83–103) "societal relevance of management accounting" agenda forward, and based on a cost accounting initiative in a Sri Lankan hospital, this paper examines how management accounting is implicated in societal relevance. It reports on a postcolonial neoliberal state's use of cost-saving experiments and the resultant emancipation of the individuals involved. It runs a bottom-up analysis, from micro events in the hospital to policymaking at the level of the Provincial Council. This analysis suggests that cost accounting acts as a mediating instrument: it begins to loosen the old Keynesian postcolonial bureaucratic budget confinements, creates a social space for individuals to consider cost-saving experiments, and addresses wider policy concerns about hospital resource management. The story is illuminated by Gilles Deleuze's and Zigmund Bauman's ideas on post-panoptic societies: old confinements are being problematized and new flexible, "liquid" spaces created, in which individuals are emancipated in terms of their ability to influence resource management within and beyond the organizational constituency.

**Keywords:** bureaucratic budgets, healthcare reforms, hospital cost accounting, individualisation, less-developed countries, neoliberal state, Sri Lanka

### ***A Personal Encounter***

*I read: "We're in the midst of a general breakdown of all sites of confinement – prisons, hospitals, factories, schools, the family. ... The appropriate ministers have constantly been announcing supposedly appropriate reforms; but everyone knows these institutions are in more or less terminal decline. It's simply a matter of keeping people busy until the new forces knocking at the door take over" (Gilles Deleuze 1995, p. 178).*

*I asked a hospital accountant: "What is happening now after the introduction of this new costing project?" He replied: "We must adhere to budgets which were tied up with rules and regulations imposed by the finance commission. We are now given a freedom to think about how costs can be saved using these cost allocation ratios. This is not a 'must' though."*

*I continued: "Do you use these innovative ideas in management?" He remarked: "Yes, of course. We have quarterly costing review meetings at the provincial director's office. I persuade them on our cost analysis and subsequent savings. They admire us. But this is down to us – no rules".*

*I thought: "Old budgets are beginning to crack and responsibilities are being shouldered by individuals rather being confined by organisations – a slow response to NPM initiatives led by neoliberal ideals."*

My questions are thus: Did micro-level cost accounting changes create a space for individual freedom and local ideas? How are such changes linked to macro politics and policymaking?

## **1. Introduction**

Management accounting is now overpassing wider constituencies. The two questions asked above allude to a local hospital cost accounting project that eventually permeated regional level policymaking. This recent project provides an example of an attempt to neoliberalize public finances in a less developed country (LDC), where management accounting plays a "societal" role (Modell 2014). It was a neoliberal response to prolonged financial difficulties in the healthcare sector that stemmed from the earlier deployment of a post-independence Keynesian development model. In the name of new public management (NPM), neoliberal market principles and their associated surveillance techniques were employed to tackle public finance issues. My fieldwork at a Sri Lankan hospital suggested that management accounting, through its abstracting, calculating, and controlling roles, echoed these new management practices. In turn, this produced a form of social engineering, even though this public service had not been privatised. The work that follows offers a bottom-up analysis of how this occurred when micro practices of management accounting were fed into wider decision-making and control apparatuses.

In LDCs, public sector healthcare is mostly shaped by the global development discourses of transnational institutions such as the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organisation (WTO), and the World Health Organisation (WHO). LDC management accounting systems mediate between these development discourses and local circumstances and implementation. Here, management accounting has made the local both governable and controllable (Ilcan and Phillips 2010) through the NPM agenda, which promotes political interests (Modell 2001, 2012a, b; Watkins and Arrington 2007; Chang

2009). Although recent NPM research in the context of LDCs has reported that political and cultural factors result in unintended, idiosyncratic consequences in management accounting practices (Uddin and Tsamenyi 2005; Rahman *et al.* 2007; Xu and Uddin 2008; Hopper *et al.* 2009), we have yet to ascertain how such projects have affected management, governance and political domains; how management accounting can act as an instrument of mediation; and how accounting can be made societally relevant.

Investigations into the notion of “societal relevance” have begun to provide some answers delivering an alternative perspective from which to rework LDC management accounting research (Modell 2014).<sup>1</sup> Departing from Johnson and Kaplan’s (1987) managerial conception of “relevance”, Modell argues that, beyond organizational locales, management accounting also involves wider apparatuses including external regulation, governance of organisations, and the shaping of markets. Modell calls for management accounting research to be turned “inside out” in the search for possible interventions (see van der Stead 2011) that could meet societal needs. Drawing on Flyvbjerg (2001), Lukka and Suomala (2014) illustrate that this intervention can take the form of “engaged scholarship” (Van de Ven and Johnson 2006; Van de Ven 2007) and “practice epistemology” (Jarzabkowski and Scherer 2010), which engenders a balance between theory and practice. Thus, this precedent work has motivated us to re-think LDC management accounting research through an examination of how management accounting is implicated in development initiatives that have been conditioned by corresponding global economic reform programmes since the 1990s (Hopper *et al.* 2009). Unlike in a Western context, non-capitalist kingship relations dominate practices of management, budgeting and costing in an LDC context (Wickramasinghe and Hopper 2005). Such practices create little space for wider participation of individuals across the organisation in resource management practices. Nevertheless, the hospital costing project we observed tended to create such possibilities and prompted individuals to participate who had previously been kept out of intervention mechanisms by such kingship relation practices. Taking Modell’s societal relevance agenda forward, then, this paper examines how this can happen. In particular, it illustrates that LDC management accounting is involved in the re-making of LDC states and in the emancipation of individuals, enabling them to operate in more flexible and fluid forms.

Investigations into such areas have just begun. For instance, it has been reported that cost and management accounting technologies facilitate governance and management beyond organizations where policymakers tend to deploy calculative technologies in cost-cutting agendas (Davies 2006; Watkins and Arrington 2007; Chang 2009; Saliterer and Korac 2013). Cost cutting rather than cost allocation has become part of the everyday language of policymakers who problematize a postcolonial, Keynesian model of welfare policy (Rudra 2002; Ilcan and Phillips 2010). Consequently, politicians and policymakers place on the agenda the cost of welfare and its adverse impact on the socio-economic trajectories of citizens. Modell’s work on societal relevance can rework these efforts and articulates

an alternative view of management accounting's relevance. Thus, I have taken an epistemological stance in a multi-level analysis linking the micro with the macro. I did not confine the work to an examination of individuals' cost accounting innovations within an intra-organisational context. Rather, this paper explores individuals' behavioural reactions to the technology of cost allocation in terms of cost-savings experiments, of their competitive engagements in decision-making, of emancipation from post-colonial budgetary confinements, and of making an impact on regional-level policy-making and beyond. This notion of the emancipation of individuals – who are caught between the technology of costing and the resultant management discussions in provincial constituencies – extends both the LDC management accounting research and Modell's societal relevance thesis.

The work proceeds thus. Section 2 reviews the literature on NPM initiatives in LDCs and provides a theoretical perspective. Section 3 describes the methodology and methods employed. Section 4 provides an analysis of how new costing projects eroded the Keynesian model, creating a space for individuals to act on a cost-conscious trajectory. The conclusion highlights how this narrative contributes to management accounting scholarship around issues of societal relevance.

## **2. Towards a political economy of governmentality**

Western public sector accounting research (see Jacobs 2012) has now been extended to LDCs (Hopper *et al.* 2009). Employing both structural and post-structural frameworks, researchers are exploring how and why public<sup>2</sup> sector accounting reforms have been mobilised and have had an “impact” on LDCs. For example, Rahaman *et al.* (2007) draw on Foucault and Bourdieu to argue that accounting numbers are implicated in the exercise of legitimacy towards political power in reforms in Ghana. In contrast, Uddin and Tsamenyi (2005) use Giddens' *structuration theory* to illustrate that local dialectics of power make Ghana's reform objectives untenable, rendering public interest issues problematic. Hopper and his associates look at a cultural–political economy of management accounting to emphasise how accounting is implicated in, and reflects on, cultural, political and economic struggles in LDCs (Hopper *et al.* 2009). Drawing on Polanyi (1954), Gramsci (1971), Burawoy (1985) and development sociology (Taylor 1979), these researchers have privileged ideas of structural ontology. They report on idiosyncratic practices and the unintended consequences of reform: the reproduction of inequality (Uddin and Hopper 2003); the re-appearance of bureaucratic despotism (Uddin and Hopper 2001); the manifestation of local cultures (Wickramasinghe and Hopper 2005); the development of family kingdoms (Uddin and Hopper 2001); and the increase of political influence (Wickramasinghe *et al.* 2004; Uddin and Tsamenyi 2005; Alawattage and Wickramasinghe 2008). Such research has tended to complicate a neoliberal orientation in accounting reform, while also pointing to its possible extension.

What we see here is that an exploration of the structural orientation of the cultural–political economy can supplement a post-structural approach that emphasises the micro-agential impulses of public sector reform. Structural development theory privileges a centre–periphery relationship, which views the

developing world as being dependent on flows of economic power (patterns of trade); financial power (flows of money and credit); military power (networks of force); and cultural power (flows of intellectual resources) (Strange 1988). With the arrival of neoliberal policies, structural theorists argue, development discourses are now flowing from the centre to the periphery, with the result that local environments are being transformed (Hardt and Negri 2000). However, what happens locally, and what actions agents take, cannot be fully explained by the structural political economy – hence the debate about the structure–agency conundrum (Mudimbe 1988). Some question whether the relationship between structure and agency is oriented towards agency, structure, or both, and whether there are material structures that are independent of agency (Kakkuri-Knuuttila *et al.* 2008; Modell 2009). However, in LDCs, cultural–political economy management accounting has focused more on structural impulses than on the agential potential of actors. For instance, the cultural rituals of village institutions (demonstrating the primacy of structure) have had an impact on factory accounting, making management control problematic (Wickramasinghe and Hopper 2005). Nevertheless, there are instances where local agents have given shape to new calculative forms of management control and governmentality, which affect both society and the polity (Watkins and Arrington 2007). Theoretically, such instances require triangulation to capture both micro inclinations at the individual level and macro implications at the level of the wider political economy: that is, we might triangulate the post-structural with the cultural and the political. Indeed, some accounting researchers have seen the merits of this approach (Hopper and Macintosh 1993; Hoper and Major 2007; Watkins and Arrington 2007). For instance, Hopper and Macintosh (1993, p. 181) note that “[p]olitical economy approaches ... are not necessarily incommensurate or discordant with a Foucauldian approach and ... both may be used in complementary fashion to critique and reform managerial practices”. This echoes Watkins and Arrington (2007, p. 55), who observe: “The intriguing question is how political life and accounting’s place within it is to be understood in a complex space where humanistic values and structural imperatives are both relevant”. The present paper draws on this precedent work to triangulate governmentality with neo-governmentality in order to derive a political economy of governmentality.

The social science legacy of governmentality has been influential in accounting research (Miller and Rose 1991; Miller 2008). Investigators have been inspired by Foucault’s historical narrative about a prison’s panoptic mechanism, which makes it possible for guards to constantly watch prisoners and recognise changes in their behaviour: it can be seen as a mode of verifiable power that normalises people’s conduct. This narrative has been used as a means by which to analyse surveillance societies, which utilise technologies of identification, classification and assessment (Hopper and Macintosh 1993). Such panoptic-based governing mechanisms have come to be regarded as a means to national economic growth via neoliberal ideals. It should be noted that this connection between the panoptic gaze and neoliberal ideals was not explicit in Foucault’s early work but in later analyses of forms of neo-governmentality that privilege post-panoptic

tendencies (Deleuze and Guattari 1987; Bauman 1995, 2001; Deleuze 1995). This formulation has coincided with a new form of political economy found in Foucault's 1978–1979 lectures (Foucault 2008): here, the “art of government” promotes economic freedom and a space for disciplinary practices. Neo-governmentality permeates post-panoptic tendencies to escape fixed institutional spaces, or what Deleuze and Guattari (1987) call confinements. Now, new modes of control have emerged, which are flexible, fluid and speedy. According to Deleuze, while the old form constitutes a mould, the new fluid form constitutes *modulation*. He argues that this is a global trend that transforms societies from those that dominate “disciplinary practice” into those that dominate “control practice”. Unlike disciplinary practice, the modulation process in control societies is ruled by codes that enable people to pass through the mesh. Such control societies are post-panoptic: controllers or disciplinarians use informing technologies “*to make sure everyone is in a permissible place*” (Deleuze 1995, p. 182).

The ensuing fluid and transient forms of sociality are implicated in issues around individualization, which involve the devolution of powers to individuals that were previously held by players such as the State, organizations, the family or a particular class, resulting in what Bauman (2001) calls a “liquid modernity”. Bauman argues that this new social world is filled with the promise of new individual freedoms and a changing terrain of power and politics. Liquid modernity is committed to recognising the private lives and interests of individuals, resulting in post-panoptic methods of control, which create opportunities for individuals to take action. For example, databases allow individuals to select, separate and execute certain actions. As a result, rather than the few watching the many (as in the old panoptic system), the many watch the few who engage in individualised actions (Bauman 2001).

Foucault (2008) outlines a different but supplementary argument. Building on the idea of *ordo-liberal ethics* (developed by Germany's post-Marxist Frankfurt School; see Lemke 2001), he articulates that neoliberalism is not about the state watching the market but rather the state being watched by the market through the principles of competition. Thus, the freedom of the market dismantles all forms of bureaucratic state confinement and demands a plethora of techniques for performance measurement and internal control. Global NPM programmes utilise these principles to transform public sector organisations into neoliberal agents of the State (Hood 1995). Thus, NPM is an economic and political discourse for ensuring that the State is driven by the principles of competition, instead of being a market supervisor. Thus, the project of post-panoptic control and the resultant process of individualisation call for the implementation of the principles of competition and associated surveillance techniques. On the one hand, individual – rather than institutional – structures can create entrepreneurial ideas and offer them for discussion and reflection. On the other, institutional structures – such as the State and other organisations – facilitate or support the injection of market principles through the introduction of new management and surveillance techniques into all spheres of life (Foucault 2008).

NPM initiatives in LDCs can be seen in this light. However, as mentioned above, any failure in the implementation of a reform programme, or unintended idiosyncratic practices (e.g., Alawattage and Wickramasinghe 2008), cannot be fully explained by this governmentality mantra. As has been seen in the cultural political economy, persistent structural issues can hinder successful implementation. Hence, in order to address this conundrum, it may be necessary to revisit the political economy perspective to find a means to supplement macro impulses acting on micro changes, as observed by Hooper and Macintosh (1993) and Watkins and Arrington (2009).

### **3. Extended Case Method as an Epistemological Strategy**

This research deploys the Extended Case Method<sup>3</sup> (ECM) (Burawoy 1998) to run a bottom-up analysis. ECM offers a reflexive space, allowing us to study multiple empirical sites to reflect on connections, empirically and theoretically. Burawoy (1998, p. 5) writes: “ECM applies reflexive science to ethnography, in order to extract the general from the unique, to move from the micro to the macro, and to connect the present to the past in anticipation of the future, all by building on pre-existing theory”. As a reflexive science, Burawoy continues, “it elevates *dialogue* as its defining principle and *intersubjectivity* between participant and observer as its premise”. Hence, ECM encompasses researcher and the researched, knowledge and situation, situation and field location, and folk theory and academic theory. This epistemological position directed the present move from the micro to the macro.

Through personal contacts, I gained access to the GOVHOS – a government-owned regional hospital under the supervision of a Provincial Council (PC).<sup>4</sup> The GOVHOS has the capacity to accommodate 475 in-patients and 13 medical specialists (consultants), and to serve 18,000 outpatients each month. The hospital receives funds from the PC, which is financed by central government; international aid agencies, such as the World Bank, UNICEF, and the JICA (Japanese International Co-operation Agency); NGOs; and local donors. The Finance Commission is the coordinating body, which allocates funds to all provincial councils. When a hospital exceeds its annual Patient Care Services Budget, further requests for funds must be made to the Provincial Health Director (PHD). The budget covers salaries, property loan interest payments, travel expenses, supplies (including drugs), maintenance, contract services, and other recurrent expenditure.

Having talked to the PHD, I realised that the GOVHOS have adopted a new cost accounting project, which entailed cost accounting procedures being introduced by accountants. These procedures were for use by both the hospital management and the provisional council. As seen in Table 1, it took twelve weeks over the summers of 2010, 2011, 2012, 2013 and 2014 for me to understand the details of this initiative. This research took place in two phases: firstly, a two-week pilot study in 2009, followed by an ten-week study in July/August 2010, 2011, 2012, 2013, and 2014. The second phase was preceded by telephone conversations, which confirmed the data gathered from previous interviews. The pilot study familiarised me with the case setting and the managerial and political context of the PC. I was able to internalise what respondents expressed, to the extent that I shared the expressions,



feelings and voices of these healthcare actors. The pilot study established a cultural fit, stimulated dialogue and realised the value of inter-subjectivity (Burawoy 1998).

**Table 1: Summary of the Empirical Study**

Research phases	Time spent	No. of interviews	Other data sources
Pilot study	2 weeks in July	11	Official documentation and local newspapers
Main study	10 weeks: 3 weeks in July/August 2010; 3 weeks in July/August 2011; 2 weeks in July 2012, 1 week in August 2013; and 1 week in August 2014  Approximately 20 hours of telephone conversations in September, November and December 2012	32  4	Official documentation, telephone conversations, and an interactive seminar in SLIDA, attended by 35 accountants, administrators and doctors

During the pilot study, lengthy conversations (each taking between one and a half to two hours) were conducted with 11 GOVHOS and PHD office actors. The interviewees included the former Medical Superintendent, the GOVHOS Director, two consultants, a nurse, the hospital's chief and assistant accountants, the PHD accountant, the Provincial Director of Health, and two outpatients. These actors held official and non-official views about healthcare services, and spoke of their experience of the GOVHOS and the managerial and political context of the PC. I opened the conversations by asking, for example: what responsibilities do you have in this hospital/office? How do you perform them on a daily basis? How long have you worked in this hospital/office? What issues have you experienced in terms of management and the use of limited budget resources? What would your views be should the hospital be privatised, and free services suspended? Do you have any experience of hospital governance before and after PC involvement? What do you think about the new cost accounting project? In what sense was it useful? Was it completely free of problems? If not, why? Such questions provided a way of approaching respondents; they also enabled me to introduce thought-provoking topics that could prompt individual stories and memories about changes that have occurred over the last few years.

This hospital experience gave me a set of issues to be discussed with actors at PHD's office: How did they feel about the old budgeting practice, and what did they consider the implications to be of the change introduced at the GOVHOS? What opportunities did they feel the new cost accounting project created? How might these opportunities be used to improve performance? What reaction did the PC have

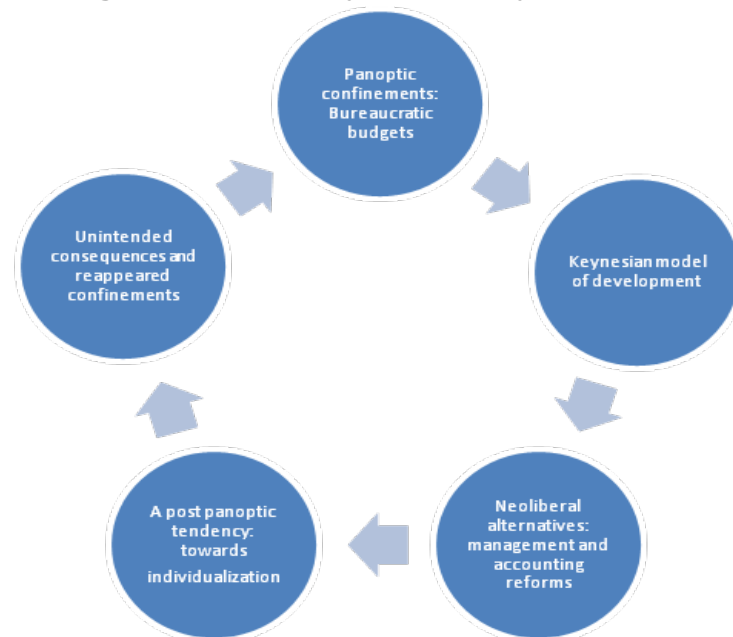
to their daily operations? How well motivated were people involved in the process of creating cost information? How did politicians use this new information? These questions led me to embrace what actually happens in the PHD in relation to the infusion of cost reports being received from the GOVHOS. I compared the responses of the hospital and the PHD actors and ran a bottom-up analysis of how the cost accounting technologies operated at the GOVHOS, where actors were engaged in a political 'management improvement' project. I wanted to explore how routine practices are linked to the political project of *appreciating* reform – in light of neoliberal ideas – and how change is achieved through managerial discourses such as the dissemination of documents, reports, and budget statistics. At the GOVHOS, I considered these documents, read local newspapers, and reviewed the respondents' comments, which were statistically, graphically and pictorially represented in official documentation.

The pilot study was followed by a period of 10 months' reflection on the literature on development and governmentality, aided by the data I had collected. The cost accounting project seemed to be just the tip of the iceberg; there was more to consider about the technology of costing through agencies and agents. It was also clear that the iceberg rested on certain structural conditions by which agential perspectives were defined, operationalised and, even, rejected. These agential perspectives prompted me to ask questions about the way in which neoliberal ideas were at work in the context of Sri Lankan healthcare, but the final analysis could not be a reaffirmation of how such agential analysis finds conclusions. Rather, there were structural perspectives that worked as *enablers*, as well as constrainers, in the implementation of the costing project and in the creation of political and managerial possibilities with which actors could engage. I hoped to address empirical issues that were to be gathered from the main study before finalising this theoretical issue. Until then, I tabulated the findings from the pilot study in accordance with the major questions raised, and phrased further questions against these findings.

My reflections on the pilot study became a roadmap for the main study during the summers of 2010, 2011, 2012, 2013 and 2014. At the outset, I expected to find that the operationalisation of agency in the manipulation of costing innovation would be conditioned by Sri Lankan hospitals' organisational culture, in particular, and by the Sri Lankan cultural and political economy in general. I decided to explore both public transcripts on neoliberalism in practice and hidden transcripts about how that practice was constrained by institutional logics. I met the previous 11 actors again to ask them about the hidden transcripts of routine practice. I also made arrangements to speak with another 21 actors from the GOVHOS, the office of the PHD, the PC, and the Ministry of Health in Colombo, including a consultant from the Sri Lanka Institute of Development Administration (SLIDA), who had been active in promoting NPM ideas in Sri Lanka. In addition, in July 2012, I was invited to conduct a one-day seminar for 35 participants at SLIDA on the modernisation of government. The extended conversations, which lasted between 1 and 3 hours, proved useful. They helped me gather richer views on the questions of theory outlined above. The seminar also provided an intellectual platform from which to discuss other matters raised during the

conversations/interviews. I used more open questions to encourage the expression of views on confinements and their relaxation in favour of individualisation with some constraints. Documents and local publications helped me to reflect on the adoption of public and hidden transcripts. Moreover, I exploited personal relationships, which I had with four respondents, and conducted telephone conversations in September, November and December 2012 in order to close some gaps.

**Figure 1: A summary of the analysis**



As shown in Figure 1, I started the analysis of the transcripts from an appreciation of the former mode of panoptic confinements in which bureaucratic budgets and other technological devices had been assembled into a Keynesian model of development. This model had been questioned through the introduction of a new costing initiative that has had an effect on existing governmentality structures. I reflected on how “individuals” were constructed in cost calculations and on how they took the necessary cost-saving actions. Finally, I pinpointed certain unintended consequences, which stemmed from local structural predicaments.

#### **4. Cost Accounting: then and now**

In order to substantiate the theoretical position taken throughout this paper, I will next elaborate on the cost accounting changes that have taken place between then (under the Keynesian development model) and now (under the neoliberal development model). Firstly, I will outline the institutional conditions under which the Keynesian development model, the postcolonial bureaucracy, and the old form of “cost accounting” developed. I will then explain how the neoliberal mode of development gave shape to a new form of cost accounting at the broader policy level. I will analyse the cost accounting changes that occurred in the hospital, with

an emphasis on its cost-saving projects. This leads to a reflection on the ways in which “individuals” embraced the agential potential of this cost-saving project. I will then explore how such cost-saving ideas were infused into regional level politics and policy making. Finally, I will chart some unintended consequences that led to a different kind of neoliberalism.

#### 4.1 Healthcare bureaucracy and “unknown” hospital costs

As in many LDCs, Sri Lanka’s<sup>5</sup> state bureaucracy determines the citizens’ social and economic wellbeing through the provision of collective goods such as education, health, security and utilities. This takes place under a Keynesian development model and through the mechanism of expenditure control (Withanachchi *et al.* 2004). When British rulers originally introduced government bureaucracies in the nineteenth century, they focused on expenditure control through the mechanism of annual government budgeting, which remained unchanged even after independence in 1948 (Silva *et al.* 2007). After the introduction of provincial councils in 1988,<sup>6</sup> the same system was adopted under the newly established Finance Commission (FC), which allocates funding to PC ministries. Despite changes to the mode of decision-making through PC mechanisms, the culture of expenditure control remained a key aspect of budgeting. In relation to healthcare provision, the PC’s Ministry of Health prepares the annual budget, has it approved by the Finance Commission and imposes expenditure targets on hospitals. The ministry then takes action at a distance, using the budget as a panoptic method of oversight. There is no discretion or flexibility built in that would enable individuals to operate differently, unless unforeseen circumstances occur. As seen in the budget format (see Table 2), the categories of expenditures act as a panoptic means of holding hospital management to account.

**Table 2: Total Expenditure**

Expenditure Category	Detail of Expenditure	Expenditure
1. Personnel emoluments	Salaries and wages	XXXXXXXXXXXX
	Overtime allowances	XXXXXXXXXXXX
	Other allowances	XXXXXXXXXXXX
2. Travelling expenses	Travelling	XXXXXXXXXXXX
	Stationary and office requisites	XXXXXXXXXXXX
	Fuel and lubricants	XXXXXXXXXXXX
	Uniforms	XXXXXXXXXXXX
	Diets	XXXXXXXXXXXX
3. Supplies and requisites	Drugs (Main-DS)	XXXXXXXXXXXX
	Drugs (IDD +Sub-store)	XXXXXXXXXXXX
	Drugs (total)	XXXXXXXXXXXX
	Surgical	XXXXXXXXXXXX
	Dressings	XXXXXXXXXXXX
	Medical oxygen	XXXXXXXXXXXX
	Lab chemicals & consumables X-ray films and chemicals	XXXXXXXXXXXX
	Mechanical and electrical goods	XXXXXXXXXXXX

	Other items and stores	
4. Maintenance expenditure	Vehicles Plant, machinery and equipment Minor repairs and building maintenance Others	XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX
5. Contractual services	Transport Telecommunications Postal charges Electricity Water Gas Rental and hire charges Rates and taxes Other contractual services	XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX
6. Other recurrent expenditure	Awards and indemnities Losses and offs Holiday warrants Interest	XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX

**Source:** Monthly report, November 2011

In relation to the budget, the accountant at the PHD office explained, “these figures were just big chunks so we had to spend the items very carefully. We did not question them or think how they could be done differently. For us, these figures are expenditures; nothing about costs of services we provided. We never used these items to calculate the cost of services we provide to the patients. It was not an issue, as the services are free of charge and nobody cared about any cost calculations” (Interview, July 2009). The budget was thus unchallengeable and, at the same time, did not encourage hospital administrators to manage their finances through calculating the costs of services delivered. It seems to have been a technical issue in that accountants were not knowledgeable enough about how this could be done, and there was no institutional environment for changing budget accounts. As a result, the budget categories in Table 2 remained unchallenged.

The prevailing institutional conditions under which the above budget culture was nurtured have their origins in colonial government budgeting practices. The post-independence Keynesian model, which celebrates a state-centric planning regime and welfare provisions, was moulded by this legacy. Factors such as pervasive under-development, an under-privileged population, and the absence of an efficient market for public goods such as healthcare, provided the structural rationales for this approach (Abeyratne 2000). Thus, the bureaucracy remained unchallenged to an extent that revealed its inefficiency, and there was no drive to offer more enabling and flexible options. The hospital director said: “As we are a poor country, and we cannot privatise hospitals, we have to stay like this. No alternatives were suggested for change until recently” (Interview, July 2009). As a result, ‘budget’ rather than ‘costs’ became the established buzzword amongst the PC, the PHD officials and hospital accountants. The PHD accountant said: “We even studied costing at the university; we never did anything about this because other than the budget we did working capital management around expenditure items. We

were never asked to do costing because nobody talked about its importance” (Interview, July 2009). The Finance Director at the Health Ministry confirmed this: “We cannot think of anything other than budgets. We are given allocations based on our requirements. We cannot go beyond that unless interim budgets are allowed. Budget is thus a direction and a rule. We cannot get rid of this to do something else” (Interview, July 2010). Costing was thus hidden under the guise of bureaucratic annual budgets that were broken down into monthly figures.

This is the classic form of governmentality prevalent in many post-colonial countries where overly powerful absolute states persist (Wickramasinghe *et al.* 2004). This “art of government” imposes top-down budgets on state agencies, ensuring that budget bureaucracy is part of everyday administrative practice. When I asked the Finance Director at the ministry if this was problematic, he said, “We don’t have a problem as managers but the government is experiencing difficulties in continuing these kinds of free services in hospitals. As we consume about 5 per cent of the GDP, it is now an issue for all governments. With no aid or loans, they cannot think of anything else but cutting some of these services or restricting some expenditure items. It is a real issue as hospitals are underfunded.” Similarly, a healthcare commentator notes: “In light of the evidence, health sector policy makers need to rethink their financing directions and healthcare provision, in order to improve the performance of the health system; i.e., the system has to generate more finances through new and/or existing channels and save resources through better allocation and productivity” (Withanachchi and Uchida 2006, p. 22).

#### **4.2 Arrival of neoliberalism: the Health Master Plan**

By the late 1970s, the Keynesian model of development was being severely criticised by right-wing politicians, especially the United National Party (UNP) (Abeyratne 2000). It was argued that state bureaucracy was inefficient and ineffective for two main reasons: (1) the central planning mechanism was not sufficiently flexible to satisfy the country’s growing needs, and (2) state services were unfairly delivered because of undue political intervention (Hettige 2000). Such criticisms were high on the agenda in the 1977 General Election, which eventually brought the UNP to power. Abeyratne (2000, p. 40) observes that this political change led to a radical shift: a “move from control to liberalism in the economic sphere, and from liberalism to control in the political sphere”. Subsequent governments, which came to power in 1994 and 2005, did not challenge this economic and political move but adhered to the neoliberal conditions imposed by transnational financial agencies such as the World Bank and the IMF (Wickramasinghe and Hopper 2005). These institutional conditions shaped healthcare reform.

Healthcare reforms are now laid out in the Health Master Plan (HMP), which elaborates on the notion of “evidence-based management” (Interview, July 2009). The HMP is an annually revised strategy document. It provides a forum for policymakers to project an effective, efficient national healthcare system through discussion, negotiation and compromise. In a strategic vision for better healthcare, the HMP has brought specific managerial practices together, such as strengthening

overall financial management. As outlined in the 2007–2015 HMP (p. 36), the aim was to include:

“increasing capacity, authority, monitoring and supervision and use of available resources. Financial resources will be used more effectively and efficiently. Allocated resources need to arrive at cost-centres in a timely manner. Finance posts need to be filled by those with the necessary skills, and better financial management information is needed. Information will be collected systematically and initiatives such as estimating the National Health Accounts need to be institutionalised. The entire budgeting process will be made more transparent.”

The ministry’s finance director said that the part played by the financial management team responsible for the HMP is crucial, given the country’s public finance difficulties since the early 1980s.

Healthcare officials concluded that the introduction of a cost accounting project was central to any proposal to strengthen financial management and better decision-making vis-à-vis the use of limited resources. They envisaged that costing and reporting on the hospital’s clinical processes, including the costing of daily services to patients, was now an inevitable aspect of an improved financial management regime. The Finance Director said: “Hospitals never had done any costing other than the budgets we prepare. We have realised that value for money cannot be ascertained without knowledge of costs of services. This was the prime motive, but the financial management element in the HMP allowed us to go for this” (Interview, July 2010). He continued: “Initially, as a pilot study, we limited this to two hospitals, but now, the idea has been taken up by others.” He emphasised that hospitals were to be controlled by an imposed budget, comprised of a number of expenditure items, but that the internal composition of these items was not analysed and reported for decision-making purposes. I discerned that no one knew what the underlying costs were and no one was worried about how these costs could be revealed, calculated and controlled. The Finance Director elaborated: “We prepare budgets in terms of expenditure categories – namely, personnel emoluments, travel expenses, supplies, maintenance, services, and transfers. Even though there are several other sub-categories, we cannot see inside any of these categories, so we cannot know how expenditure is actually costed” (Interview, July 2010).

While the HMP suggested a way of “opening up” the above budget categories in the form of hospital services costing, it also promoted the need to link such financial management initiatives to performance management systems. The 2007–2015 HMP (p. 41) noted:

All managers and institutions, including field health units, must be made accountable for the state resources used and the outputs achieved. A system of individual and institutional performance management will be introduced to facilitate improved performance.

Individual performance management will be based on defining clear roles, responsibilities, agreed performance targets and lines of accountability. Incentives and rewards will be awarded on the basis of institutional and individual performance. Institutional performance management will be based on agreed plans for each institution and Annual Reports, which will account for the use of resources and the results achieved. Guidelines on planning will be drawn up and strategic and operational plans will be developed and distributed for every major institution by the Management Development and Planning Unit of the Ministry of Healthcare and Nutrition. Formal annual review meetings will be held nationally, and with each province, to review achievements, identify challenges and agree on an action programme for the following year.

The Provincial Director said: “This performance measurement thing has been thought by us as well. However, we thought that the costing project needs to be implemented first. Yes ... this is our next step” (Interview, July 2010). I realised that while all were motivated by, and committed to achieving, this financial management initiative, costing was regarded as the first move.

This managerial stance suggested not only an enthusiasm for the costing project, including the hope of extending it to a performance management regime in a wider, regional decision-making context, but it also indicated an interest in a post-panoptic re-organization of public finances. The Provincial Director remarked: “it was a message for us to take more individual responsibility rather than relying on ministerial financial allocations which created many limitations and constraints. It has been very difficult for us to get rid of this constraining culture. You know ... the proposed performance management system was a ... relief” (Interview, August 2014). The accountant in the hospital seconded this: “This led us to think about how to react to possible regular reviews and evaluations. Although this was a challenge, both management and clinical staff wanted to take this positively and were willing to be part of financial management matters because they never enjoyed such power before (Interview, August 2014). Motivated in this way, the new costing project began to be implemented, and it engendered enthusiasm for the wider implementation of performance management in regional decision-making apparatuses. Thus, it was a good beginning for post-panoptic re-organization more generally, because those involved *wanted* to do something about finances, as the accountant emphasised.

This new beginning pointed to a broadly defined strategic turn, then, with a focus on starting the cost-accounting project and then implementing performance management practices. It also provided fertile ground for a form of emancipation from old budget confinement issues. Given the inelastic nature of healthcare management and public finance in Sri Lanka (Silva *et al.* 2007), these changes offered “a window of opportunity”, as the hospital accountant remarked (Interview, August 2014). To this end, the HMP was considered to be a means by which to



problematize and eliminate the old panoptic restraints, which were characterised by “problems of costs and the absence of costing techniques” (Interview, July 2010). Given the difficulty of making dramatic changes in an LDC context, this “window of opportunity” injected a much-needed stimulus for wider post-panoptic change. Moreover, as we will see below, this new beginning not only prompted new discussions among hospital accountants and senior managers; it also took such issues beyond the boundaries of the hospital.

#### **4.3 Costing at the GOVHOS**

The GOVHOS’s cost accounting initiative was led by the PC’s health ministry and by the office of the PHD. As a prelude, a series of seminars/workshops were held; they were conducted by a Japanese consultant and were attended by hospital directors and accountants. When I conducted a seminar for Masters’ students (who are administrative officials), I found that some of the participants had attended the Japanese consultant’s workshop as well. They reported that these workshops had discussed how the new cost accounting scheme could contribute to the long-term reduction of the budget deficit while allowing for the continuation of free healthcare services. A seminar participant at SLIDA said: “Even though the Japanese consultant did the workshop and told us how to prepare spreadsheets, it was a political requirement of the government. The crucial issue faced by the Minister of Health is cost cutting – he always mentions that Sri Lanka is one of a few countries delivering free services at a huge cost” (Interview, July 2011). I soon realised that all management issues were reduced to cost-cutting considerations and that *everyone* had a view on this. The same seminar participant continued: “we might have other issues in management. But politicians saw only this problem. All the other issues were, thus, covered by costing discussions.” The initial cost accounting workshops played a crucial role in translating the political and economic issues facing the government into discussions about costing procedures derived from the HMP. This was evidenced during a discussion I had with the hospital accountant. He said: “The workshops revealed something that we can do beyond the budget, which never happened in the past. We studied these in the university but that was in a manufacturing context – now we have realised we can do it in the hospital” (Interview, July 2011).

So, the cost accounting workshops problematized the status quo in order to consider alternatives. In this regard, the HMP provided a strategic framework for new management initiatives, as alternatives to the former bureaucratic arrangements: it also legitimized them. The message was thus conveyed that the welfare economy was no longer sustainable due to the unhealthy fiscal environment, and that other practices had to be adopted in order to gain rational management of healthcare finances. It was anticipated that a neoliberal form of governmentality could be established. When I spoke to the PHD, he said: “We now realise the nature of the problems we had for many years. Our Master Plan gives us overall guidance and a strategic direction. Our management changes and cost accounting initiatives all come from this document” (Interview, July 2009). Sri Lankan healthcare reform, as spelt out in the HMP, is now directed towards encouraging rational economic

thought and the creation of an alternative form of governmentality. Implementation of the HMP seems to have enabled prioritisation of the costing project: it was politically inspired and economically rationalised and has become a mediating instrument between the global NPM discourse and local political and economic aims.

Following this discursive effort, the actual implementation at the GOVHOS was undertaken by: (1) involving staff, including doctors and nurses, in costing at the hospital level; (2) consolidating calculated costs into a monthly report; and (3) motivating individuals to consider cost saving ideas to be implemented and fed into quarterly cost review meetings at the PC. In involving others, the GOVHOS accountant diffused JICA's ideas locally. Indeed, the accountant had to include the clinical staff in his work, because the project was "unusual" in a government hospital. He explained: "as we never thought of finding the costs of services, this was a new idea, so I have to convince the doctors and nurses about this. All I wanted was to implement what we learned from JICA workshops but it was not straightforward as everybody had to learn what to do" (Interview, July 2009). Even though the process was not straightforward, the accountant observed that the project was well supported by the hospital director who is a medical doctor. The director emphasised: "we are very much inspired by management ideas even though we were not formally trained in the university. Our training courses at SLIDA were very useful ... We can clearly understand the importance of costing and we are here to support the finance people to make this successful. A number of senior consultants also support us" (Interview, July 2009).

In this discursive environment, the accountant was able to enrol others by encouraging them both formally (through meetings) and informally (through talking to people individually). As a result, clinical staff including the consultants began assimilating the jargon of costs, processes and their implications for cost savings. One GOVHOS consultant noted, "We are now aware of these processes and we are now part of this scheme. We are also now learning to save costs and economise with resources. As a person who studied from taxpayers' money, I can really feel the importance of this cost-saving aspect – with some knowledge of the subject. Our accountants are also now learning clinical processes, how to cost them and suggest possible savings" (Interview, July 2009). In addition, as they gained knowledge of clinical aspects of the hospital's work, the accountants secured new respect: previously, they had been largely isolated from other staff, apart from during the performance of routine duties – such as the approval of payments and the execution of budgetary obligations. Now, they enjoyed a new form of power. I saw accountants walking along corridors, talking to other staff about cost reports, new ideas, and progress on cost-saving exercises (Observation, July 2009).

The involvement of others led the accountant to act as a leader in the implementation process while constantly involving the others to collect "data" for monthly cost reports, which elaborated the costs per patient derived from total in-patient and outpatient costs. In order to collate this information, the accountant needed data on 14 cost centres to which costs were allocated based on absorption rates (see Table 3)

**Table 3: Cost Centres and Absorption Bases**

Cost Centres	Absorption Base	Expenditure
1. Blood bank	Blood issue	XXXXXXXXXXXXXXXXXX
2. Laboratory	Lab test	XXXXXXXXXXXXXXXXXX
3. Physiotherapy	Physiotherapy Patients	XXXXXXXXXXXXXXXXXX
4. ECG	ECG patients	XXXXXXXXXXXXXXXXXX
5. X-Ray	X-ray patients	XXXXXXXXXXXXXXXXXX
6. Labour room	Delivery	XXXXXXXXXXXXXXXXXX
7. Operation theatre	Operation	XXXXXXXXXXXXXXXXXX
8. Drug stores	Drug issue	XXXXXXXXXXXXXXXXXX
9. Surgical consumables	Surgical issue	XXXXXXXXXXXXXXXXXX
10. Surgical repairs	Surgical issue	XXXXXXXXXXXXXXXXXX
11. OPD and Clinic stores	Drug issue	XXXXXXXXXXXXXXXXXX
12. Linen room	Patients	XXXXXXXXXXXXXXXXXX
13. Sewing room	Patients	XXXXXXXXXXXXXXXXXX
14. Kitchen	Diet	XXXXXXXXXXXXXXXXXX

**Source:** Monthly report, November 2011

The outcomes of all allocations were summarised in the monthly report given to the hospital management team to make them aware of what was going on in the original budget allocations. The accountant emphasised: “we now know what the initial budgets tell us in terms of the services. For centuries we must have carried out services without any knowledge of the resources we used. Now, we know exactly what they are. We know that we need to do more on this, but this is a fantastic beginning and we get full support from the current management” (Interview, July 2010). The monthly report now plays a vital role not only in revealing what resources are being used but also in creating a forum for the hospital managers to make sense of what needs to be done. The hospital director stressed this point: “we now discuss the monthly cost report being submitted by the accountant. He ... tell[s] us what was going on in the last month in terms of management of our limited resources. In the past, we used to be worried about how we could ask for more money. Now, we have data to see what needs to be done to save some resources” (Interview, July 2010).

#### **4.4 The construction of cost-conscious individuals**

The main thrust of the cost accounting change was technical. It was about identifying primary and secondary cost centres, allocating overheads to these cost centres and eventually determining the cost per centre, per ward and per patient. This was the sole cost accounting initiative and it drew on the HMP’s financial management remit. Beyond the technical aspect, however, this new form of calculation had unprecedented socio-psychological effects on individuals, which led to the destruction of the rigid “confinement” of the old budget process (Deleuze 1995; Bauman 2001). This destruction happened in relation to (1) the construction of hybridized professionals; and (2) the process itself, which encouraged clinicians/technicians to be more cost conscious and empowered. Thus, individuals

who had been subject to the tyrannies of budget bureaucracy are now liberated through their managerial identities and decision-making voices in the sphere of hospital resource management. This is indeed a kind of liberation in the workplace, given that the previous regime hid costs behind expenditure categories.

As we saw earlier, a form of hybridization occurred through assimilation of management ideas by hospital doctors and consultants. Even though this did not directly relate to cost accounting, the changed culture refreshed the clinical staff's previous exposure to management training and education. The GOVHOS director said:

“we learned management on our medical administration course, especially strategic management. When this costing project came to this hospital, I easily grasped its importance. I can now understand the accountants' regular reports where cost allocations are made to cost centres. I can understand what statistical analyses tell us ... we are now doctors as well as managers who can deal with cost statistics contained in monthly reports. We now know terms such as final cost centres, intermediate cost centres and overhead cost centres. Based on this, we can now see how costs are incurred, which we never knew before” (Interview, July 2012).

This change was accompanied by a new organisational culture in which doctors became continuous observers of cost behaviour over many months. Another consultant noted: “I am really interested in this ... we cannot waste our limited resources ... we are the people whose higher education was paid for by the state. Now we have the responsibility to use our resources wisely. I think this preparation of monthly cost reports is a fantastic idea. I can now talk about costs and cost allocation methods and also I can see the outcome of our collective behaviour on a monthly basis” (Interview, July 2012).

The accountant echoed this: “Previously, doctors were just doctors. Now they are very much connected to us. They can understand what we talk about and we can understand what they talk about. ... They also look at our reports, and they try to make sense of their professional routines” (Interview, July 2012). For example, doctors are now aware of the ward's cost per patient and are conscious about cost savings compared to previous months and other wards. Thus, individual professionals are now governed by the numbers – which would seem to be part of a more general accountingization (Power and Lauglin 1992) tendency which introduces “...ever-more explicit cost categorization into area where costs were previously aggregated, pooled or undefined”(Hood 1995, p. 93).

This accountingization tendency was infused in other technicians and healthcare officers (including nurses), making them more cost conscious. The exposure to costing empowered staff, who, as a result, felt more valued and posited ideas about how costs could be saved. The GOVHOS accountant said: “we did not change our accountability system or organisation structure. Instead, we created a new habit of using cost reports much more seriously. The only mechanisms we have are the preparation of these reports, circulating them among the necessary people,

and meeting with the Director and consultants to discuss development. Between meetings, we encouraged staff to use the reports and make a contribution to cost saving matters ... the staff liked this, as it is a kind of accountant's job. They have the confidence to act as an accountant and discuss things as a manager" (Interview, July 2012).

I asked one of the nurses about this new cost consciousness. He replied: "The accountant educates us about the areas where we could think of saving costs. For example, one crucial area is the electricity bill. This involved lighting as well as the use of electric appliances such as kettles and cookers. Normally, we use kettles for each ward but I suggested that it would be cost effective if we had a central place where we can boil water. The accountant accepted this ... and found it was very effective. I am continuously exploring such things to save costs. I have been shown that this can reduce the cost per patient, which we never thought of. I am now thrilled to do more about such things" (Interview, July 2011). I found it fascinating that responsibility for the newly constructed cost centres was being assigned to specific staff members who supervised cost behaviour. In order for this to happen, the monthly reports had become mediating instruments, which encouraged the saving of costs through local experimentation. An accountant observed: "Previously, we [in the accounting office] had to be responsible for the management of budget, not anyone else. Now, as long as costs are there, everybody knows who does wrong and who should be responsible for wrongdoing. Hence, now we can delegate the responsibility to the respective people" (Interview, August 2011). This was unprecedented, as the previous budget regime had not allowed grassroots level people to be involved in experimentation and decision-making.

What we see, then, is the creation of a new social space in the form of cost centres, in which people are delegated, autonomous and enjoy their work with a sense of empowerment, which was never the case within the old system of budget confinements. When I spoke to the person in charge at the drug store, he seemed serious about the new mode of operation: "I used to issue whatever they asked for. I did not care about their costs. My only concern was the budget ... . As all the staff members in the hospital are also paying attention to cost now, it is easy for me to maintain the store. For example, I ask myself whether we can avoid using this and whether we have to use so much of that" (Interview, August 2011). I felt that this was a fascinating transformation: from storekeeper to manager. When I asked the accountant about this transformation, he said: "Yes, this is true. I personally went to him and showed him why cost was important. He is friendly but serious in maintaining these new things" (Interview, August 2011). In a similar vein, another nurse said: "Earlier, we did not discuss anything regarding the amount of resources we used in patient care on the wards, but now we have the cost reports we talk about these over lunch and tea breaks. Some staff are worried and others want to do something honestly. Although we have new things to do here, I think this is important" (Interview, August 2011). That all this has occurred without management restructuring is remarkable – especially given the way structures are *enmeshed* in public service organizations like hospitals. Overall, it appeared clear that the budget information, disseminated in the cost reports, had penetrated the

everyday working lives of hospital staff, creating the opportunity for them to act in ways that satisfy neoliberal goals.

In this realisation of neoliberal objectives, individuals, rather than confinements, are emerging, who have aims, action recommendations, and an acceptance of responsibility. The PHD accountant said: "I think this change is not a big thing for us, as we knew all these cost calculations. But, it was a journey to think about cost saving possibilities" (Interview, July 2011). Hence, the construction of a new internal accountability system has been achieved not through organisational restructuring but through the provision of cost reports, which have served to mediate between staff, to start to address previously unexplored cost issues, and to provide contingent solutions within resource constraints. This mediating role has given rise to an alternative governmentality, in which individuals – rather than old budget confinements – can tackle the kinds of bureaucratic bottlenecks that sustained the Keynesian development model and remake the relationship between the state and the hospital.

To this end, a transfer of responsibilities can be seen, for example, in the way individuals who want to bring their life experience to the workplace are complementing the work of accountants. The new cost statements have created the opportunity for staff to think differently about their work, utilising their experience of household poverty. Although the GOVHOS sees this as a tiny contribution to the overall hospital budget, it does represent a historical event in that it demonstrates how public sector management can be partially transferred into the hands of grassroots hospital staff. This has not just been about changing individual attitudes, however. Rather, it has involved the construction of a social space in which staff can act on the information in the cost statements, which provides results that can be measured in terms of cost saving. This transformation can also be linked to change occurring in the wider world, which is driven by the neoliberal agenda (Harvey 2005). It is possible to identify a cascading down of global neoliberal discourse through an ideological hierarchy – from the World Bank and its associated agencies (including consulting arms); to the national government (Ministry of Health); to the GOVHOS (through the Provincial Council mechanism); and, finally, to clinicians, and nursing and support staff (through management and accounting personnel). Mediating instruments, such as costing and cost-cutting technologies, appear to tighten these linkages, prompting change in employee attitudes. As a result, as the accountant said, "There is now a change and people think that they have been given something useful to think about, and they can act within informal and flexible engagements and continuously experiment" (Interview, July 2011).

This link between global discourse and local articulation is not dissimilar to what McKinlay and Taylor (1998) term a *factory of the future* in which individuals are constructed through team-based efforts. They argue that such arrangements create "constant improvisation ... and unobtrusive orchestration of employee values ... Such change in individuals can then lead to competitive advantage through innovation and efficiency demands" (1998, pp. 180–181). These principles – applied to public services through NPM discourses, such as the present cost accounting initiative at the GOVHOS – have an impact on individual behaviour. Individualisation

at the GOVHOS has increased staff *awareness* of their work commitment, which in the past reflected the view that they were simply doing a job for a monthly salary. Now, as the above narrative about electricity savings demonstrates, jobs have been distilled into a series of duties and commitments, as staff feel empowered to make suggestions for improvement; in the past, this would have been the domain of managers and accountants. The accountant described this change as follows: “The staff have taken some parts of our duties and deal with cost saving issues. As a result, they don’t regard their work as just a payroll job. Instead, they feel committed enough to engage in serious cost-saving measures. They are continuing to do this. This is a marvellous development, which we have never experienced before” (Interview, August 2011). It is clear that staff members are no longer afraid of the rules and procedures embedded in budget constraints. Rather, they exercise discretion, reveal problems and seek solutions to these problems. Thus, the original government-led disciplinary surveillance approach has been transformed into a system of self-governance through the engagement of individuals with cost-saving projects.

Individualisation has implications for internal “competition” for cost-saving innovations. However, this competition is not of the kind generally implied by neoliberal frameworks, but creates the opportunity for individuals to become more respected and more highly regarded. A nurse I interviewed provides a case in point. He regularly initiated ideas for improvement: he sought the support of others, but they did not attempt to compete with him for the role of innovator. This is the type of individual now being constructed: they avail themselves of the opportunity to compete with bureaucracy in a subtle way. The hospital director observed: “people are now aware of our finance problem. The government is not in a position to support all our needs. So, we like staff to come up with ideas to use our limited resources wisely. I like this costing project in that sense. The reports we get reveal our limitations” (Interview, July 2009). Even though the hospital director must safeguard the administrative side, the new calculative practice seems to be a way of liberating grassroots employees from the tyrannies of budget confinements. In this way, the inherent contradictions between the controller and the controlee seem to be withering away in the offering of an individualised form of intervention in management. This would seem to be in line with Deleuze’s (1995) exploration of a breaking down of old confinements, and with Bauman’s (1995, 2001) notion of a “fluid modernity.” In short, a subtle form of competition between bureaucracy and individual freedom seems to be emerging.

#### **4.5 Costing in policy circles**

How was this individualised behaviour operationalised in such a way as to connect the hospital with politics and policy making? So far, we have seen the impact on hospital staff of a cost accounting project at the GOVHOS, which encouraged them to be more cost conscious and to develop a post-bureaucratic culture. Although the project had only just begun at the GOVHOS when I carried out this study, the resulting transformation had also led to broader management and policy discussions at the Provincial Council level.

There was a great deal of enthusiasm about this project in the PHD office. Two key individuals who took a particular interest were the director himself (who is a medical doctor) and the accountant. Under a new arrangement, the GOVHOS was required to send quarterly reports to the PHD, for discussion at quarterly meetings attended by the director, hospital accountants, and the PHD accountant. The quarterly report comprised performance on cost-saving efforts, and implications for costs in specific areas. The director said: “Before we had formal meetings to discuss things in general. Now we have a focus – that is the performance on cost savings. It is nice to see how accountants follow the things that are happening ... Everybody learns from the presentations, followed by discussions and debates” (Interview, July 2011). The GOVHOS accountant agreed: “I attend the quarterly meeting to show what our people have done. I present these developments using PowerPoint slides and highlight the achievements. The discussions are interesting. Accountants from other hospitals are impressed by our efforts, even though they are little things. As we are struggling with limited resources, these little things are very crucial” (Interview, July 2011). This points to an extension of the individualisation effort in the domain of governmentality, as elaborated by Miller and Rose (1991) in relation to “governing by numbers.” The process, of course, reflects aspects of the development of a control society (Deleuze 1995), beyond the clutches of bureaucracy.

At quarterly meetings, there were attempts to construct a new mode of governmentality. The GOVHOS staff who initiated cost-saving ideas were invited to the quarterly PC meetings to explain how they developed their ideas, and how other hospitals in the PC area might benefit from the same innovation – demonstrating an engagement in what Davis would term “calculation, articulation and intervention” (2006, p. 1). Here, calculations were made and the resultant reports were used to stimulate debate at the quarterly meetings. The PHD accountant described the role, or intervention, of numbers in these meetings: “Earlier, we just adhered to procedures but now we develop ideas from our reports. The things that are happening at ... the GOVHOS are very important. They provided good samples that can be adopted by others. And, above all, this draws the attention of the Director and politicians to the importance of cost savings and resource management” (Interview, July 2011). This demonstrates the creation of a “communicative partnership” (Dobson 1999, cited in Davis 2006) between the GOVHOS staff and its sister hospitals in the province. It also highlights how a wider discussion forum on costing can be constructed, with the capacity to transform the relationship between government and healthcare activities across the country. As mentioned earlier, although the GOVHOS project was just beginning, given the novelty of its approach to development in general – and the development of finance control in particular (Rudra 2002) – it has been significant, in a societal sense. The PHD Director observed, “we understand that this is a new beginning but we can pass the message to the Provincial Minister about how we deal with issues around resource management in hospitals” (Interview, August 2011).

Despite the transformations outlined above, the review meetings are not neutral but operate on a healthy political terrain. Here, participants debate issues



relating to the limited financial resources available for hospitals. This process demonstrates a transition from conventional politics – based on moral authority and rule – to an alternative political regime in which accounting language is assimilated into the language of politics (Watkins and Arrington 2007). Watkins and Arrington argue that this transition occurred through NPM initiatives, which encouraged accounting to displace moral politics and to dominate economic rationalities. This is not dissimilar to what Deleuze (1995) and Bauman (1998) observed when they emphasised the transition of contemporary societies from the disciplinary to the control model – or from old confinements to flexible confinements. When this transition argument is applied to LDCs across the globe, we can see considerable change (Hopper *et al.* 2009) in states where control and governance operate within an *accountingization* process (Power and Laughlin 1992). However, in the medium term, the injection of economic rationales into moral politics – through which hospitals operate to save lives rather than costs (Mutiganda 2013) – is not easily institutionalised; hence, the sporadic conflicting views. On the one hand, there are resource constraints and ethical and moral duties associated with caring for people and saving lives. On the other, there are discourses that encourage staff to be rational, managerial, entrepreneurial and economic. The former set of factors relate to structural issues, while the latter relate to discourses, power relations and resultant individualisation tendencies – and hence to politics. The PHD accountant noted that there were always oppositions: “when the GOVHOS accountant reveals a cost-saving programme which was implemented ... the other accountants – who did not have such activities – would say ‘we cannot do these’ as we have limited staff time ... this is because we do not have resources to fill these gaps. Thus, staff must attend to their clinical duties rather than management and cost accounting matters” (Interview, July 2010).

The question, then, is how one organisation is able to find such time while another is unable to do so. According to the GOVHOS chief accountant, the hospital’s cost accounting programme created an opportunity to “*find* time to mobilise innovative ideas which are strategically important” (Interview, July 2010). He added: “we encouraged the people towards this end by talking to them informally and convincing them of the benefits.” This happened at the PHD level as well. The PHD accountant said: “The director takes the opportunity to highlight good practice and the best examples for others to follow” (Interview, July 2010). Thanks to the director’s leadership, and the *strategic importance* of the cost accounting initiative, this case has led to lessons from which others can learn. However, other hospitals may lag behind the progress made by the GOVHOS, because they may lack the necessary internal discursive arrangements or the necessary environment for the construction of convincing arguments to encourage staff to change. This reflects the nature of the structure–agency dilemma. In other hospitals, traditions, established structures and inherent constraints may govern discursive formation and any subsequent individualisation that might otherwise occur. Deleuze (1995, p. 18) observed that individualisation is coupled with the “primacy of desire over power” – which was far from evident in other hospitals. Consequently, discussions there may

become *derailed* by political debates – for example, as to how time can be found for costing and management interventions.

Hence, although there were signs of an isomorphic effect through which the GOVHOS ideas could spread to other hospitals, this was not sufficient to make a significant impact. The GOVHOS, therefore, acted only as an *epicentre* from which inspiration about how to crack down on bureaucratic budgetary systems *could* spread to other hospitals. The intention was that the cost review meetings should act as a *centre of diffusion*, encouraging other hospital accountants to recognise a means of enjoying some flexibility in financial management, especially in budgets. The PHD director said: “This costing project is now beginning to spread into other hospitals. Our review meetings are opportunities to learn from the GOVHOS. The accountants keep asking me about implementing the same in other hospitals. I think it is a good move. I hope they will come up with new ideas in the near future” (Interview, August 2011). This was also commented on by the PHD accountant: “I think they can cope with this very soon. They know the methods and how to use the software programme. Some asked me about this stuff” (Interview, July 2012).

Despite the politics, struggles, disturbances and only *sporadic* isomorphic effects, the PHD director made every effort to link the outcomes of the quarterly meetings to broader political arenas through a performance-reporting exercise. This is reminiscent of another important aspect of governmentality that shapes a novel relationship between the state and the economy (e.g., the hospital resource management domain) – that is, the way in which the state is now governed by surveillance techniques (Foucault 1978; Lemke 2001). Hoskin (1994, p. 57) observes that this trend demonstrates the “extraordinary power that accounting holds in the modern world; ..., as an economic practice at the heart of everyday business management and in the global requirements of financial reporting and analysis...”. In this case – the cost accounting reports discussed at PC quarterly meetings – attendees’ comments, the political debate and the economic rationale all had implications for the hospital’s performance. Thus, the quarterly review meetings act as a *bridge* between hospital management and policymaking at the PC level.

After the meeting the PC director, with the help of the PC accountant, prepares minutes for the PC minister in charge of health services. The insight gathered from these meetings is recorded and used, along with information from other sources, in the preparation of annual performance reports. Financial performance within the Provincial Health Ministry is characterised by substantive cost savings in different areas, including both recurrent and capital budget projects run with the World Bank, UNICEF, NGOs and local organisations (Performance Report, Provincial Health and Sports Ministry 2008). The director explained what happened next: “the minister wants us to manage our budgets as much as possible. This is because, like us, all PCs struggle to meet their recurrent expenditure budgets. In the case of hospitals, we do not have any income. We have only two options – one is to raise funds through charities and donors; the other is to eliminate costs as much as possible. Hence, the minister is enthusiastic about what we have been doing. He uses our reports to flag up these things at PC meetings. Sometimes, our

minister's speech produces newspaper headlines" (Interview, August 2010). He mentioned some of the comments made during meetings: "You know, everybody raises the question of lack of drugs in stores, lack of beds in hospitals, and lack of other facilities (such as laboratories). The Opposition in the PC always points out these issues, to their political advantage. The minister, in return, talks about cost-saving projects, serious management efforts in hospitals and also strategic planning and development that could tackle resource constraint issues" (Interview, August 2010). These comments serve to remind us of a new dimension in accounting, which Watkins and Arrington (2007, p. 34) describe as its "increased ubiquity and political power." This development has occurred because all public sector reforms (i.e., NPM) have been "deeply dependent upon accounting and other management techniques adapted from the private sector" (Watkins and Arrington 2007, p. 34). Hence, without *accounting*, politicians cannot make an argument as to how they might manage the limited resources entrusted to their governance and administration.

This transformation reveals yet another use of accounting in the construction of the neoliberal, post-panoptic form of governmentality (Lemke 2001; Foucault 2008). As the accounting reports contribute to political debate about the management of limited resources, we can see how management tools used in the private sector – which is governed by surveillance techniques – are used by state and state agencies that are striving to maintain their power. As NPM demands that administrative activities must be costed and evaluated using accounting techniques (Hood 1995), politicians have now begun to refer to these techniques. Davis (2006) claims that this portrays the economic rationality of the business of government. In the context of healthcare reform in LDCs, this subjugation of conventional liberal politics – and the *conquest* of accounting by NPM discourse – must be seen as a driver reshaping the state–agency relationship.

Although this is a new development, the accounting initiative contributes to provincial management and control, as demonstrated in the political debates and discussions referred to above. The remaking of the state–agency relationship can be seen at the PC level, for example, in the way that the discussions at the cost review meetings are *fed* into the director's office documentation process – specifically in relation to the corporate plan and performance reports. The corporate plan that I observed noted that the ministry wanted to encourage economic development within the province by implementing "efficient and quality health services through necessary policy" (Ministerial Corporate Plan 2008). The director added: "Our aim is to prepare the correct policies for the wellbeing of people's health. Cost accounting projects contribute to our thinking about good policies. As these projects reveal how to deploy resources well, we can prevent waste and fraud, and improve commitment. Therefore, our statements in the corporate plans are not just words but statements that guide us to do the correct things" (Interview, July 2012). I asked whether the PC corporate planning process had been improved in light of the experience gained from the costing project. The PHD accountant replied: "we didn't do that but we reconcile the corporate plan when we come to do the annual performance report ... We gather data from various sources, including cost review meeting minutes, and compile a performance report summarising our financial as

well as administrative achievements during the year. Yes, of course, a great deal of knowledge is gained from the cost accounting experience and reflected in these reporting exercises” (Interview, July 2012). Coupled with the minutes of the quarterly review meeting, this corporate planning exercise seems to represent a *bonus* for politicians. Indeed, the director observed, “The minister is fascinated by this ... he used some of the aspects in the Corporate Plan to convince the central government when asking for more recurrent expenditures for the budgets, and also when combating the attack from the opposition. Indeed, he is right – as this document guides us well” (Interview, July 2011). This use of accounting resembles what Davis (2009) terms *mapping deliberations* – where policymakers calculate, articulate and intervene to get things done.

Overall, cost accounting is now integrated with administration policy at the PC level. The PHD and the cost review meetings have become the mediators that bridge the micro activities supporting innovation in cost savings and policy. The GOVHOS acted as the genesis of ideas that had an isomorphic effect: other hospitals seem to have been inspired by this performance and have adopted some of their tools. Although I did not examine whether a replication of GOVHOS practices were emerging in other hospitals, I was encouraged by the way in which the cost accounting experience – along with other administrative apparatus – was fed into performance reporting. Performance reports are crucial because politicians use this information in their political campaigns, which are reported in national and local newspapers, and on radio and TV channels. However, the value of such costing projects should not be overstated; rather, we must appreciate that while cost accounting was a novel experience that led to a crackdown on bureaucratic budgets, there are other administrative apparatuses (HR procedures, clinical practices and logistics procedures for supply of drugs and medical equipment) involving *legacy practices* that are unlikely to change. All these factors have been converted into cost terms and the findings and innovations discussed, reported and appraised at PHD level. This bottom-up approach seems to be an effect of the neoliberal mode, which points to a shift of disciplinary-based governance towards control-oriented, fluid practice.

#### **4.6 An unintended form of neoliberalism?**

Despite the implicit connection between neoliberal economic and political tendencies and the cost accounting initiative, the form of neoliberalism I encountered in the context of healthcare in the PC was atypical. The objective of the Western model of neoliberalism was the transfer of some major welfare services to the private sector, using private sector management models and surveillance techniques (Hayek 1994) and, in particular, the introduction of NPM reform (Hood 1995). However, as Harvey (2005) observes, this model cannot be applied everywhere due to specific variations. The form of state in the PC was atypical, and characterised by structural and cultural factors that negated agential potentials and the subsequent progress of the reform project. I will elaborate on this and try to connect the micro to the macro (Burawoy, 1998).

Firstly, the PC has enjoyed devolved political power – that is, executive power held by the governor and legislative power held by the Council – since its inception in 1988 (Provincial Councils Act No 42 of 1987). Both administrators in their respective ministries and politicians in the Legislative Council want to retain their power and expand it to cover more activities and areas. The PHD director said: “We need to satisfy the ministry by making good progress in the use of limited resources. The reports we send to them are very important in that sense. They use the data in their political debates, such as discussions on TV programmes” (Interview, July 2011). This implies that politicians remain in power with the help of various discursive and rhetorical materials, as Watkins and Arrington (2007) observe. In the context of the PC studied, this use of materials seems to be an *investment* for the politicians. Both politicians and administrators experiment and engage in innovation with the goal of maximising the use of resources to *maintain* the welfare state, rather than promoting massive privatisation projects. Private sector technologies are used to *justify* the welfare state in its current state form. As Deleuze and Guattari (1987) observed, this is a *state form* in which there are various apparatuses, rather than an orthodox state. A PC member said: “We all try to maximise the social wellbeing of the people in the province. Although some argue that the PC is a white elephant, we do a lot of things under the purview of PC legislation. The Finance Commission helps us maintain the missions of the Corporate Plans of all the ministries. However, although we encourage the private sector to launch new businesses and industries in the region, we cannot destroy the public health services as the poor have no other place to go” (Interview, July 2010).

This highlights the extent to which accounting is intermingled with political goals, which aim to safeguard the welfare state. The director added: “I agree that people want good service, as the minister urges us to provide – while also carefully managing the resources. To this end, the costing project is a marvellous idea” (Interview, July 2011). Clearly, politicians’ welfare priorities cannot be compromised by privatization reform, as the majority of their votes come from the poor who want a free public service. That being the case, the administrators use modern technologies – such as cost allocation techniques – to manage services. The PHD accountant said: “There are a lot of meetings to discuss corporate plans and programmes. We have a Deputy Director (of Administration) whose main job it is to deal with daily issues about the corporate planning exercise and to gather lessons for developing the next corporate plan. Finally, what we do is to maximise the use of resources, as a private company would. We have regular seminars at SLIDA on topics such as strategic management, corporate plans, balanced scorecards, and new public management, so we learn how to use new ideas. Our cost accounting project is part of this. And, the information we get from hospitals is vitally important in this respect” (Interview, July 2012). Unlike with a rigid bureaucracy, managerial tools encompass flexibilities that can be characterised by post-panoptic principles through which individuals can find consensual space for their actions and agency. However, these agential potentials are constrained by political aims that arise from a scarcity of resources. The Director noted: “we have given freedom to the accountant and his staff to think about new things, to maintain a good health

ministry, while we provide good services and satisfy the minister. Even though it is a difficult task, due to finance problems, we must do this" (Interview, July 2012). Consequently, as Deleuze and Guattari (1987) observe, a kind of state form is constructed, which includes accounting in its goals: in this case, the political aim is to provide continuous welfare services. This reflects the wider findings of political economy research in developing countries, which emphasise that accounting can be used to political advantage in order to maintain hegemonic order (Alawattage and Wickramasinghe 2008; Hopper *et al.* 2009).

Secondly, the form of neoliberalism in the GOVHOS context was assimilated into a set of *unique* cultural practices, which were reproduced in everyday life. After all, the construction of individuals and the tendency towards individualisation take place in the context of a cultural institution. The GOVHOS chief accountant offered the explanation that "staff like to be active in the hospital, to show that they can do things and can lead a group of people ... What I mean is that, as you know, our work people are hospitable and work together helping each other. But ... we need a leader ... For example, the nurse I mentioned to you ... convinces the others to get things done – with regard to cost saving endeavours. This is not new. We have the same thing in villages when we have a funeral or wedding" (Interview, August 2012). When I spoke to this nurse, he said: "I come from a remote village like the others. They are on good terms with me so I am comfortable in doing these things. As I am senior and I understand what to do, others don't question what I ask" (Interview, August 2012).

This seems a valid point. The local culture I experienced in the country was characterised by collective behaviour in a tribe or an extended family, with a leader, like a king, at its head. The Sri Lankan social scientist Kumari Jayawardena (2000) calls this a movement of *nobodies to somebodies*. This cultural inclination is commonplace, and a GOVHOS patient said: "This is our hospital. We want this to be ours, with good services and facilities, as we can't afford to go to private ones. We see that nurses and doctors have realised this and helped us develop this" (Interview, August 2011). In a cultural context in which new ideas are implemented, individuals emerge as *change agents* and they reproduce the cultural ramifications of this within their locale. Public services are used to operationalising local cultural desires, without making grand changes. Because of extreme poverty, local people try to protect their local hospitals: they provide a public service and an effective way of delivering healthcare. This means public services, including healthcare, cannot be privatised, but small changes that are desirable from a cultural or political perspective may be possible. The tendency towards individualisation, and its resultant form of the neoliberal state, must be understood from this cultural political perspective (Wickramasinghe and Hopper 2005). Hence, the micro outcomes at the grassroots level are a reproduction of certain structures without which a *particular* individualization tendency is untenable. What is fascinating here is that this connection was made through costing endeavours and cost statement analyses, but with the help of cultural specificity.

Thirdly, the formation of neoliberalism within the PC was inspired by specific conditions imposed by *financial suppliers*, such as the World Bank, UNICEF, JICA and

other NGOs and local donors. Funders are concerned with certain criteria, especially regarding the improvement of healthcare. For example, the World Bank and the World Health Organisation have imposed on central government the following conditions, which became part of the government's political manifesto in 2012. The expectation was that "life expectancy [would] rise to 86 for males and 80 for females by the year 2020 ... the child mortality rate to drop to 6.0 (per 1,000 live births); the infant mortality rate to 4.5 (per 1,000 live births); one doctor and 1.5 nurses per 1,000 people; for all births to happen under professional care" (Office of the Ministry of Health 2010). Future strategies foreseen in the policy documents include minimising communicable and non-communicable disease; increasing resources for preventive care; improving efficiency of healthcare delivery services; developing and maintaining Centres of Excellence in cardiology, oncology, neurology and neurotrauma; improving medical research; effective mental health services; services for the elderly; and a more regulated private healthcare sector.

Based on these requirements, considerable funds have been forthcoming from the international agencies for both recurrent and capital expenditure. The expectation is that funds will be deployed wisely and in line with the above criteria. The PHD accountant observed: "We get continuous funds from other sources, other than the government budget. We budget for these and prepare performance reports against the use of these funds. We cannot under-utilise them because there would be a danger of losing them in the future. Also, we cannot waste them on unnecessary things because we have to report to the donors on our prioritisation strategies. Also, we must participate in their meetings to demonstrate how we use the funds" (Interview, August 2011). I asked whether cost accounting projects helped in this regard, to which the PHD accountant replied, "Of course, they liked this very much. And, they encourage us to propagate this in other hospitals and service units, which we now do. We must satisfy them in these ways – otherwise, there will be a problem with the continuation of funding" (Interview, August 2011). Thus, despite the cultural, political and economic context, the PC has had to adopt a neoliberal approach and managerial technologies for the delivery of accountability to the financiers. The establishment of a neoliberal structure in the welfare service context is, therefore, inevitable and cost accounting plays a vital role during PHD discussions. This is significant because, on the one hand, cultural and structural conditions could hamper the development of a full neoliberal model wherein everything must be governed by surveillance techniques. On the other hand, dependency on external funding demands that more managerial tools be used to control resources, deliver services and maintain the special kind of neoliberal state that prioritises welfare. This is reminiscent of Rudra's (2002) comment that despite the globalisation of these reforms, it is impossible to dismantle the welfare state under the guise of post-panoptic tendencies (Boyne 2000).

Finally, it seems clear that an *embryonic* form of the neoliberal state is being developed under the circumstances outlined above, although there is no anticipation that, in the foreseeable future, the NPM programme will be rolled out across all hospitals in the PC. Nevertheless, it is interesting that despite cultural, political and economic constraints, a social space is being developed in which there is

opportunity for individuals to be constructed beyond the confinement of the kinds of bureaucratic structures that were once the backbone of postcolonial governmentality. I asked the Director about this; he replied: “We try to keep the people motivated and make them aware of the importance of the use of these tools. I don’t think that anybody would come and say that this is foolish. However, sometimes, when the people are transferred from one section to another, there are temporary gaps in the continuation of these projects; but we take every step to maintain the status quo” (Interview, August 2012). Despite the goals, as we saw earlier, there can be situations in which *automatic* social reproduction occurs (Boyne 2000), but we need to acknowledge the development of this embryonic form.

It may possible for a *particular* post-panoptic, neoliberal form to be maintained, even when confronted by strong conflicting structural forces, as we saw earlier, which can have an impact on the governing mechanisms of the PC. The PHD director said: “We do all this under the circumstances, resources, people, their attitudes, politics and new ideas. Even given these circumstances, we have achieved something that can satisfy everybody” (Interview, August 2012). Cost accounting is now accepted as a legitimate approach, and it has performed *reasonably* well in the cultural and political context I researched. Nevertheless, we cannot dispute that this is not the *ideal* type of neoliberal reform, and that reform at the GOVHOS remains embryonic – in that traditional cost allocation technologies are retained with only some new cost management ideas incorporated. However, the accountants do not appear to be worried about this. The PHD accountant said: “We know activity analyses. But JICA trained us to use these templates, which are, I think, sufficient enough. What we wanted to do was to start costing rather than making things complicated. We just wanted to go inside of the budgets and make some changes by savings” (Interview, August 2012). What we can learn from the GOVHOS case is that cost accounting can work for a particular political purpose, when simple cost allocation methods might have been sufficient. Clinical and associated services, such as procurement and supply, became *objects* through which cost can be identified, which had not been done before. This embryonic approach performed reasonably well with regard to the construction of individuals and the informing of policy decisions. In Bauman’s terms (1998), this can be seen as the beginning of the movement of social order, along with a change in the state from panopticism to *seduction*, through which people develop desires in relation to the primacy of power.

## 5 Discussion and conclusions

This paper aimed to explore how micro-level cost accounting changes created a space for individual freedom and local ideas, and how such a change linked to macro politics and policymaking. Here, the analysis presented in the preceding sections will be used to reflect on how it is possible to broaden these micro questions into a macro analysis of a societal manifestation of management accounting in an LDC setting, especially in the context of a discursive transformation of development. My point of departure was work carried out by Hopper *et al.* (2009), which focused on management accounting within LDC reform programmes, and on the resultant unintended consequences, and work by Chang (2009) and Modell (2012b), which



focused on the infusion of political interests into NPM programmes. Thus, I have taken forward the agenda introduced by Modell (2014) in exploring the societal relevance of management accounting. Overall, I have set out to determine how accounting has helped to reconfigure the Keynesian state as a neoliberal state – specifically in a Sri Lankan postcolonial context.

Consequently, the work has offered insight into the nature of our changing world with regard to neoliberal experiments. Deleuze's (1987, 1995) idea of breaking down confinements was a starting point for engagement with the issues outlined. As we saw in Section 2, Deleuze observes that static and mechanistic confinements such as organisations, factories, hospitals and families are now beginning to break down into flexible and fluid forms – into what Bauman (1995) regards as a fluid modernity. We saw that in the present context this breaking down effect was rooted in the neoliberal turn in the economic and political spheres and in subsequent processes of globalization (Hart and Negri 2000, Harvey 2005). Thus, it is useful to explore whether the political and economic model, built on the post-war Keynesian ideal, is also breaking down in LDCs. The case of Sri Lankan healthcare reform tells us that this is so, in that the LDC state, which runs a welfare economy, is undergoing a fiscal crisis, and that new ways are being sought to solve this. The cost accounting initiative in the GOVHOS is subject to what seems to be a universal issue.

Healthcare in LDCs is an essential public service aimed at the underprivileged in society, and, as such, wholesale privatisation is unthinkable both in political and in economic terms. Post-panoptic controls (Deleuze and Guattari 1987; Deleuze 1995), which operate beyond the ideals of governmentalities, are a useful tool enabling policymakers to think about the construction of the social space as a means of cracking down on the orthodox Keynesian model in which bureaucratic budgets justify the continuation of the welfare economy. As this old system is now in crisis, the cost accounting initiative outlined above can be regarded as a way of questioning the status quo and opening up a discussion of alternatives. If the budgets represented a form of governmentality, cost accounting can help construct a form of post-governmentality within which the individual can operate beyond the rigidity of orthodox budgeting. The cost-saving stories that lie behind the individual budget figures have been revealed and the resultant cost reports have been circulated to the general public – which had never happened before in a public service context, such as hospitals. The main cost accounting change was the introduction of calculations of cost per ward and cost per patient. This has led to behavioural effects among individuals at the grassroots level in the hospital. Issues such as unaffordable electricity costs, and the ways in which resources could be used wisely, have inspired individuals to think about better resource management scenarios with sensible solutions. In this way, cost accounting created the potential to break down budgetary confinements in order to explore cost-saving opportunities. It was also possible to show individuals that this new system held some emancipatory potential in that they could be relieved from the tyranny of budgets. Such possibilities materialised by extending individuals' local experiments

to freedom of thought, allowing them to intervene in decision-making and to take part in collective action. Although these effects were only just beginning when I carried out my study, the project was well received by management, accountants and provincial policymakers: there was a palpable sense of hope and inspiration. The signs of Deleuze's 'breaking down of confinements' (Deleuze and Guattari 1987; Deleuze 1995) were undeniable, while the project also alludes to what Bauman (1995) terms a 'fluid modernity', as we have seen throughout the present work.

The social space that was thus constructed produced individuals who had the potential for personal engagement when making suggestions about cost savings. This marked a significant shift in the role of cost accounting technology, from the accountant's office to the hospital ward, and in the "delegation" of professional responsibility to the layman. Even though this transformation implies an additional task for non-accountants (such as clinical personnel), they enjoyed being involved in this way, and earned much respect from colleagues. They are made aware of the issues and asked to provide solutions. They then begin to think that they can indeed find answers: if only they had the power to do so. The individuals who were produced during this process were eager to find solutions, and the cost accountants were prepared to appreciate their effort. Hence, the cost accounting project was not a mere production of new cost reports but became a mediating instrument that transformed the nature of both the work and underlying attitudes to it.

However, these individuals differ from the construction of individuals in Bauman's (1995) and Deleuze and Guattari's (Deleuze and Guattari 1987; Deleuze 1995) theories and predictions. Their individuals had access to sophisticated technologies, such as IT, and took action based upon these technologically advanced systems – whether at work, at home or on the move. They entered a world of flexibility and made decisions within the parameters of the surveillance programme they inhabited. Such surveillance programmes operate not only as a form of discipline, but also as a form of control and interactivity, and as a mechanism for promoting competition (Gane 2012). In contrast, because of a lack of resources, the Sri Lankan hospital workers were unable to access such facilities, and instead had to rely on printed cost estimates and notebooks. These individuals were more real than virtual, and needed their local cultures to be connected, activated and accomplished in 'real terms'. The process of individualisation was characterised by a social space from which *particular characters* emerged to act upon the information in the cost reports. These individuals became *change agents*, working with others and showing what needed to be done to meet objectives. As in tribes or extended families, one person emerged as the *leader* of the group; this leader took advantage of available opportunities and encouraged others to collaborate. As long as the local hospital was assimilated to this village culture, the culture was easily reproduced in the hospital in order to 'get things done'. The same collaborative culture evolved in relation to a case involving a trade union leader, for example, and helped form *resistance* to a production budget in a Sri Lankan textile factory (Wickramasinghe and Hopper 2005). In the GOVHOS, the tendency towards individualisation occurred but followed local cultural 'rules'.

How were these micro experiences fed into the macro? Before the cost accounting project, there were no cost review meetings: the breakdowns of budgets mentioned above did not take place. However, current cost review meetings create a social space that enables people to unpack bureaucratic budgetary controls: it creates opportunities for new management techniques to test and reshape the way governmentality works, transforming it from the form of a mould to a means of modulation (Gane 2012). The cost review meeting acts as another mediating instrument, inspiring a transformative tendency in debate and confrontation, and creating a palpable sense of competition. Unlike the culture inculcated by previous budgeting regimes, cost-based budgets – and their associated reports and reviews – are enabling mechanisms, which are perceptible as such at the cost review meetings. Even though this was not a central mechanism compared to other administrative apparatuses within the PC, this cost accounting project has already begun to break through the previous confinements – pointing to the possibility of further developments through the isomorphic effect instigated by the cost review meeting. As a result, other hospitals in the region have embraced the cost accounting mantra. The presence of international finance, the discursive requirements that arose within the PC and the need to deliver accountability have resulted in various effects in terms of the project's significance and institutionalisation. Hence, a form of neoliberalism is being infused in this postcolonial state, which seeks legitimacy and justice. In Bauman and Deleuze's terms, this case study provides an example of how the breaking down thesis is being materialised around the world. Even though the events outlined here may not seem to amount to radical change, welfarism is on trial – at least with regard to the management of limited resources in respect of technologies such as cost accounting. And in terms of the theorisation of this kind of change, Foucault's later lectures on bio-politics illustrate well this mode of neoliberal state (Gane 2012).

The form of neoliberal state being shaped here is not typical; neither is the role that this cost accounting initiative has played. The argument for the devolution of power to the provinces, the specific culture that produced atypical individuals, the competition between professionals that transpired isomorphism, the financial dependency on external financiers that demand accountability, and the embryonic nature of the state-making exercise are all characteristics of this particular case. They are also the factors that have shaped the subsequent neoliberal state. Cost accounting not only privileges a neoliberal state but also confronts issues emanating from the particularity of it. The politics of accounting (Miller and Rose 1991; Chang 2009; Modell 2012a, 2012b; Saliterer and Korac 2013) are inevitable, it seems, but a careful study of its politics will tell us more about peculiarities and atypical forms of states. Thus, the changes outlined here do not amount to widespread proliferations but rather point to the reproduction of certain, inevitable structures that are embedded in both people and systems which reveal the peculiarities that shape different forms of accounting.

It should not be necessary to emphasise that management accounting has different societal roles to play beyond specific organisational locales, not least because of the different characteristics of capitalist societies compared to those of

LDCs. To this end, management accounting exerts an influence on, and influenced by, individuals, their agencies, policy debates and processes. Although Burchell *et al.* (1980) pioneered this type of accounting research, and Chang (2009), Saliterer and Korac (2013), and Modell (2012b) specified the direction it needed to take in terms of the political and regulative ramifications of NPM initiatives, this work extends the debate further in the light of Modell's (2014) reworking of management accounting's relevance. Being inspired by his appeal for a multilevel analysis derived from the ECM (Burawoy 1988), and by Deleuze's and Bauman's ideas of post-panoptic societies, we have here captured the connection between the micro and the macro levels in relation to the reshaping of cost accounting and the construction of individuals who are being emancipated in a postcolonial state setting. It was this epistemological strategy that directed us to take Modell's agenda forward. Hopefully, this will now generate further research into how accounting technologies, and their mechanisms, are deployed in the construction of rationalities for neoliberal agendas, be they in the public or private sectors, or in advanced capitalist countries, or in LDCs.

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### **Notes**

<sup>1</sup> For various new perspectives, a special issue of *Accounting and Business Research* (Vol. 44, Issue 2, 2014) is dedicated to this theme.

<sup>2</sup> The notion of "public" in "the public sector" carries both a political and a social connotation. For example, in the accounting literature, Burchell *et al.* (1980, p. 9) emphasize that "in a social context, public actions need to have either a political means for their enforcement or a wider social significance and legitimacy."

<sup>3</sup> The Manchester School of Social Anthropology first coined the phrase extended case method (Garbett 1973; Mitchell 1983). Burawoy (1998) revitalised the use of this approach, based on his decades of ethnographic studies in non-Western countries. The term implies a holistic approach to qualitative research in the social sciences.

<sup>4</sup> Provincial Councils are a new form of political mechanism, introduced through the Provincial Council Act of 1987. In accordance with the terms and conditions of the Indo-Lanka Peace Accord, the aim of this Act was to devolve central government powers to the provinces. There are nine provincial councils. As a result of 30 years of civil war, however, there are no councils in, for example, the North and East provinces.

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<sup>5</sup> A small island (area 65,610 km<sup>2</sup>) in the Indian Ocean, Sri Lanka was a European colony for nearly 450 years from 1505 to 1948.

<sup>6</sup> This initiative was intended to devolve the centralized political and decision-making powers to the country's six provinces. A Provincial Council (PC) is a regional body consisting of members elected every five years.

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