

From Cost Allocations to Cost Savings: Post-Panoptic Tendencies in Sri Lankan Healthcare and the Making of a Neoliberal State

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Abstract

This paper reports on a new cost accounting initiative in a Sri Lankan hospital, in order to examine whether the intuitive was manifested in the transformation of the Keynesian model of the postcolonial state into a neoliberal state. The extended case, which ran a bottom-up analysis from the micro events in the hospital to the macro-level policy making at the Provincial Council, revealed that the initiative was an opportunity to loosen bureaucratic budget confinements and create a social space for individuals to think about sporadic cost-saving projects. The findings allowed me to use the post-panoptic ideas of Gilles Deleuze and Zigmund Baumann to articulate how the neo-liberal origin of managerial technologies - such as new cost accounting - are assimilated to a particular post-governmentality project, in the formation of a peculiar type of neoliberal state in Sri Lanka. The study contributes to the growing research agenda in management accounting in less developed countries, through an analysis of how accounting is infused in policy making and reforms.

Keywords: hospital cost accounting, bureaucratic budgets, neoliberal state, healthcare reforms, individualisation, 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 family is an 'interior' that's breaking down like all other interiors – educational, professional, and so on. 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: 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 asked: Do you use these innovative ideas in management?

He continued: Yes, of course. We have quarterly costing review meetings at the provincial director's office. This is headed by the provincial health director. 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 down and responsibilities are being shouldered on individuals rather than confinements such as organisations – slow response to NPM initiatives led by neoliberal ideals.

My questions: (1) How did costing become a space for questioning the Keynesian rationalities of economics in LDCs and how did these discussions become "public transcripts"? (2) How did the same project create individuals for acting upon neoliberal ideals? (3) How was such individualised behaviour operationalised to connect the space of the hospital with the space of politics and of policy making? (4) How and why were these practices assimilated by a different form of neo-liberalism, other than that the transnational agencies envisaged?

1. Introduction: questions and aims

This paper, which is underpinned by the four questions above, examines how recent cost accounting changes are manifested in the healthcare crisis within a neo-liberal development project in Sri Lanka. The broader aim is to see how management accounting practices, such as costing, have played a significant role in economies and societies in less developed countries (LDCs) - by using the technologies of calculations for both questioning the *status quo* and offering and experimenting with alternatives. In so doing, however, I do not

discount management accounting's organisational and microscopic significance but rather intend to run a bottom-up analysis to ascertain whether organisational significance is reflected in societies where the state is attempting to gain legitimacy for its governing opportunities, in the guise of neoliberalism (Harvey, 2005; Peck, 2010). In LDCS, societal management by the state and its governing mechanisms - operating in the name of development programmes - are linked to global programmes of development and transnational institutions such as the World Bank (WB), International Monetary Fund (IMF), World Trade Organisation (WTO) and the World Health Organisation (WHO) [Hopper et al., 2009]. When making development in this way, management and control apparatuses are increasingly acting as mediating instruments, which make local development programmes and projects governable and controllable (Ilcan & Phillips, 2010). In the context of healthcare reform in Sri Lanka, as cost accounting has now been prioritised by the reform agenda (Silva et al., 2007), I will focus on the mediating role of cost accounting.

As a mediating instrument, cost accounting has come to be fused with wider contexts beyond organisations. Despite a genre of research, which explores how cost accounting originated in the wider socio-economic and historical context (Sowell, 1973; Loft, 1986, 1995; Hopwood, 1987; Hopper & Armstrong, 1991), we know little about how this particular calculative practice interacts with polity and society. Instead, interpretive/critical research in cost accounting has sought to theorise how and why alternative methods are diffused globally (Bjornenak, 1997; Jones & Dugdale, 2002; Armstrong, 2002) and how and why they are mobilised for organisational purposes (Malmi, 1997; Briers & Chua, 2001; Soin et al, 2002) - while functional research has focused on whether new cost management practices can result in better management and strategy (Mitchell, 1994; Foster & Swenson, 1997; Cardinaels, et al, 2004). Despite this advancement in management accounting scholarship, whether and how cost accounting operates beyond the boundaries of elite organisations is a broader question waiting to be explored. This is a question that parallels the recent arrival of management accounting research on how performance measurements are infused into political interests that propagate a new public management regime, within the guise of neoliberalism (Hood, 1995; Modell, 2001, 2012; Lapsley & Arnaboldi 2009; Chang, 2009).

For this question to be approached, I have chosen a particular territory of research - management accounting idiosyncrasies in less developed countries (LDCs), as espoused in

Hopper et al. (2009). As LDCs have increasingly been conditioned by global economic reform programmes over the last three decades, its impact on the vast majority of people in these countries can be seen through an examination of how management accounting is fused in people's everyday lives. Similarly, one can examine how management accounting is hinged upon the re-configuration of LDC states and how the resultant neoliberal state emancipates people from socio-economic predicaments, developed in the post-independence era. This is important as management accounting's terminologies are now being translated into the everyday language of the policy makers, administrators, and the general public to pronounce, use and change their "life chances". These terminologies seem to have become instruments which mediate between citizens and the state. This particular dimension was, however, overlooked by Hopper et al (2009).

Cost accounting technologies have now come to facilitate beyond the organizations. In the face of fiscal crises in LDCs, policy makers tend to deploy costing terminologies in the arguments for cost cutting agendas that lead to a reconfiguration of the LDC state apparatuses. Cost cutting rather than cost allocation has now become part of the everyday language of policy makers, its rationale rests on a programme of problematising the Keynesian model of welfare policies which have dominated postcolonial economies and societies (Preston, 1997; Ilcan & Phillips, 2010). As a result, by unpacking the government budget deficits, politicians and policy makers have begun to talk about the cost of welfare and its adverse impact on the construction of the neoliberal state and the socio-economic trajectories of citizens (Ibid.). However, a research focus on the mobilisation of elite cost accounting in polity and society is an uncharted area of management accounting research.

Through the epistemology of the extended case method (Burawoy, 1998), which allows us to regress the micro to the macro, this paper elaborates a cost accounting programme being implemented in a Sri Lankan hospital – which demonstrates the transformation of postcolonial to neoliberal state. It articulates how this programme is linked to the re-configuration of the postcolonial state, which was built upon the 1940s Keynesian ideals which favoured central planning and an economic role for the state apparatus (Wickramasinghe & Hopper, 2005). This contrasts with the neoliberal State, which favours strong individual private property rights, the rule of law, and the institutions of freely functioning markets and free trade (Harvey, 2005). As the privatisation of government hospitals in LDCs has never been a politically feasible agenda, the cost

accounting programme tends to promote a quasi new public management project (c.f. Hood, 1995; Lapsley & Arnaboldi 2009) - through construction of a cost-conscious mentality among hospital employees and the mobilisation of a public message signifying the necessity of cost cutting and reducing government budget deficit. As a result, monthly cost statements are prepared and reported to hospital management and the health ministry; issues are highlighted and discussed at monthly meetings; and cost statements are given to patients when discharged. It is clear that this programme helps not only to loosen the rigidity in bureaucratic budget, but also to reconfigure the Keynesian model of the state into the neoliberal, corporatist state promoted by Freidrich von Hayek – an extension to Adam Smith’s 18th century liberal ideas. As such, cost reports and cost statements have become instruments which mediate between society and polity, as mentioned at the outset.

The paper is organised as follows. The next section (Section 2) reviews the literature on the transformation of the Keynesian state into the Hayekian, in postcolonial societies. In order to explore the broader context in which changes in public sector management take place around the world, World Systems Theories and Modes of Production Theories will be examined for what they can tell us about how the centre invades the periphery (Wallerstein, 1974, 1984), despite low response from the periphery towards perpetuating a fully developed capitalist system (Taylor, 1979). This examination will reflect the literature on neoliberalism that illustrates how the world has acquired an enhanced version of liberal economics (Hayek, 1945) and how the underlying transformation has impacted on everyday life (Polanyi, 1954; Peck, 2004; Harvey, 2005; Giddens, 2009). Despite there being a number of issues, this transformation has carried managerial and calculative technologies, such as cost accounting. In order to theorise the relationship between the global picture and the deployment of these managerial technologies, I will articulate a framework drawing on the post-panoptic literature which delineates a breakdown of traditional confinements such as bureaucracies (Foucault, 1977; Deleuze, 1987, 1995; Bauman, 1995, 2001).

In Section 3, the paper shows how Burawoy’s (1998) extended case method is used to explore the regression of the micro stories around the cost accounting in the subject hospital to a macro configuration of the state and society in Sri Lanka. As Burawoy did, I will apply reflexive science, in order to learn from the micro events and to reflect on their macro connections for understanding the general – a theoretical generalisation (cf. Efferin & Hopper, 2007). The ethnographic data collected from the hospital will be made reflexive, in

order to assist understanding of how cost accounting is a manifestation of the global diffusion of the neoliberal ethos. This section also elaborates how the extended case method can achieve my research aims of mediating the global political economy of neoliberalism with the ethnography of hospital costing.

Section 4 provides the analysis of the research, based on the four questions posed (see above). Firstly, the section deals with the question of the Sri Lankan Keynesian State; the trajectories which transformed it into a neoliberal state; the organisational and managerial context of the hospital; and the development of its cost accounting project. Secondly, it deals with the question of how the new costing project began to erode the Keynesian model, creating space for individuals to act upon a cost conscious trajectory. The analysis goes on to explore how this process was influenced by the Japanese involvement and how the methods and procedures of cost accounting - and the nature of the monthly cost reports and statements - became instruments which mediated between polity and society. Thirdly, it will focus on how individuals, rather than systems, were made responsible for the project reflecting the move from the panoptic state to a post-panoptic state. Finally, the analysis will address the question of the assimilation of structural logics, which made the project incomplete. Even though hospital costing in LDCs is an interesting trajectory, as it offers a different story about the implementation of new public management where resources are limited, people are different, what is at work is that politics are atypical and in turn, the infusion of cost accounting in polity and society occurs aberrantly.

Section 5 concludes the paper by demonstrating that, while this cost accounting story can contribute to management accounting scholarship (c.f. Chang, 2009; Hood, 1995; Modell, 2001, 2012; Lapsley and Arnaboldi, 2009), it also extends the agenda of management accounting research in LDCs (Hopper et al., 2009). Consequently, outstanding questions include: how these programmes occur within other provinces of management accounting, such as performance measurement and control, government budgeting, and capital investment decisions; how the stories are different in other LDCs (because the neoliberal agenda differs across time and space); and how alternative theoretical frameworks and methodologies impact the contribution of this paper. Notwithstanding, this paper attempts to use social sciences to deal with global issues (Giddens, 1999; Bauman, 1998; Rossi, 2008), which management accounting researchers must respect.

2. Neoliberal turn in LDCs: Reshaping governmentalities

There is a claim that Keynesian economics, which gave rise to the welfare State, was successfully deployed in LDCs (Preston, 1997). It was the post-war development discourse that conceptualised the welfare State and the mode of production, within which public services were delivered. By virtue of the fact that it was a political issue during a series of election campaigns, the welfare economy consumed a huge amount of public finances and contributed to the accumulation of unprecedented budget deficits (Toye, 1987). The cost of basic needs, such as healthcare, education and food, underpinned the financial burden of the welfare economy. Although it was clear that these costs could not be met, changing governments turned a blind eye as the perpetuation of the welfare economy became the means to gaining political power, through winning the consent of the masses. Although this welfare economy was essentially a post-war concept, this “political capture” became inevitable in the post-independence era. As a result, the welfare economy’s scope and versatility expanded - despite the drain on resources, which could have otherwise been diverted to investment and development projects.

Upon the arrival of neoliberal agenda in the late 1970s, the Keynesian consensus was unpersuasively wrestling with the ills of welfare provision. In the wake of Friedrich Hayek (1945) and Milton Friedman (1962), neo-liberalists argued that the state should be downsized, by transferring some public services into the hands of the private sector. It was anticipated that delivery of public services would be disciplined by the mantra of the market, and its associated managerial discourses (Hayek, 1945; Friedman and Friedman, 1980). It was argued that such mechanisms could effectively redistribute economic efficiencies, which would lead to better social and economic wellbeing. If any deviations occurred, it was advocated that certain regulative mechanisms were utilised – the new role assigned to the neoliberal State. Following these prescriptions, a worldwide liberalisation and privatisation programme electrified the missions of transnational financial organisations - such as the World Bank and the IMF - whose aims were to provide loans with policy conditions. And, local governments around world looked for such solutions to the problem of the unaffordable operating costs of welfare economies (Hopper et al., 2009).

This global agenda was reflected in the administration of LDCs, and its underpinning neoliberal ideals were translated into routine practices, such as organisational management and accounting technologies. Debates were generated on the use of these discourses in

intellectual and policy circles, as well as political parties and civil society organisations. Inevitably, central to the debate was the cost of the welfare state, and the ways in which it could be managed and minimised. It was claimed that *big* states, which provided public services free of charge, were no longer tenable –in financial terms. In political debates, the issue of reducing the size of the state - and abandoning some of the items in the welfare package - was top of the agenda. But this was a politically sensitive option, as politicians were keen not to make changes, for fear of losing votes (Wickramasinghe & Hopper, 2005).

Applying the policy shift to routine practices meant that any reduction of the size of the state is a revitalisation of cost management programmes derived from NPM discourses (Hood, 1995). This demonstrates a way of viewing the state in cost terms, and of creating a discursive space for deploying private sector solutions to public sector problems. Public services are now being re-evaluated in cost terms, to see whether there are more efficient ways to deliver services. To this end, cost management technologies, such as the creation of cost centres and the allocation of indirect costs to final cost objects, through relevant centres, have become central to the management of resources. Moreover, cost-based performance measurement and its comparisons with financial and social benefits came to be paramount in organisational management programmes (Modell, 2012). For the first time, public services began to prepare corporate plans, using the discourses developed in strategic management. Traditional budgets were seen as a means of reproducing state bureaucracy, and attempts were made to remove these budgets - by introducing alternative forms such as programme budgeting and short-term rolling forecasts. These ideas and practices were well received by the LDCs, as they faced similar problems in running their welfare economic policies (Hopper et al. 2009). This story of neo-liberalisation tendencies in management practices in LDCs can be theorised by envisaging a link between a global political economy analysis of the imposition of neoliberal practices within LDCs and a micro-political analysis of daily practices.

Traditional structural analysis of the global political economy is rooted in a number of development theories, including Modes of Production Theory (Taylor, 1979), Dependency Theory (Cardoso and Faletto, 1979) and World Systems Theory (Wallerstein, 1984). A debate on the value of, and difference between, these theories is beyond the scope of this paper - but the logic of the global system tells us that the political and economic position of LDCs in the global landscape can be glimpsed through their lens. Broadly, these theories constitute

an international political economy which adopts a structural perspective to view the world economy – with the whole dominated by the centre (that is the advanced countries), and the developing countries at the periphery displays various forms and degree of dependency. In the context of this centre-periphery relationship, it has been argued that LDCs become 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). When the neoliberal policies were at our door step, (Harvey, 2005, Peck, 2010), the structural theorists argued that development discourses also flow from the centre to the periphery, as part of the flow of intellectual resources. Local political and institutional arrangements then become transformative - receiving, introducing and implementing these discourses (Preston, 1997).

The structural perspective does not explain how dependencies are assimilated into routine organisational practice, but some agential perspectives have sought to fill this gap by providing a micro-political perspective on political economy, under the guise of neo-liberalism (Gane, 2012). It was Foucauldian and post-Foucauldian governmentality literature (Foucault, 1979; Deleuze & Guattari, 1987; Deleuze, 1995) and Zygmunt Bauman's (1995, 2001) work on individualisation and the *Synopticon* that made such an effort. I wanted to reflect on this literature, in order to determine a link between the global and the local - through which global development discourses could be discovered in the local.

Firstly, consider the notion of governmentality. It is Foucault's (1979) *Discipline and Punish* which gave rise to the intellectual governmentality legacy in the social sciences, including in accounting (Rose, 1996; Miller, 2008). According to this work, the prison's panoptic mechanism - which made it possible for guards to constantly watch prisoners and recognise changes in their behaviour - was seen as a mode of verifiable power and a way to normalise the conduct of people who were subject to the power of this mechanism. This historical narrative was extended to the broader analysis of surveillance societies, which utilise technologies of identification, classification and assessment (Gandy, 1993). Such panoptic-based mechanisms of governance have become a central means of attaining economic growth in capitalist economies - which are now adopting the neoliberal form. However, this connection was not explicitly articulated in the Foucault's work (1979). It is the neo-governmentality form of analysis - inherent in post-panoptic form (Deleuze & Guattari, 1987; Deleuze, 1995; Bauman, 1995, 2001) - which crystallises the connection

between governmentality and neo-liberal economies and the states. This development was later found in Foucault's 1978-1979 lectures (Ibid.) on what he calls "the art of government" operating through an explicit relationship between economic freedom and disciplinary technique (Gane, 2012).

There is a realisation of the decline of fixed institutional space – or what Deleuze (1987) calls *confinements*. While there were disciplinary practices operated in confinements", there is now an emergence of new modes of control, which are flexible, fluid and speedy. According to Deleuze, while the old form constitutes *moulds* - such as bureaucratic budgets and inflexible factory systems - the fluid form constitutes *modulation*, such as flexible budgets and flexible manufacturing regimes, which can be transformed from one moment to the next. This reflects the global project to transform societies, from those that dominate disciplinary practice into those that dominate control practice. Unlike disciplines, the modulation process in control societies is ruled by codes that enable one to pass through the *mesh*. These enabling systems generate a new form of power that can be modulated for a movement, with the view to changing the modulation to suit another movement. Control societies are, thus, based on post-panoptic mechanisms that allow controllers or disciplinarians to use informing technologies "...to make sure everyone is in a permissible place" (Deleuze, 1995: 182). When bureaucratic budgets are deconstructed - in order to find a way of ridding them of their confinements - and there is thought beyond budgeting and innovation in cost accounting, performance measurement and computer-based information technologies (e.g. ERP systems), controllers are able to create post-panoptic modulations.

This collapse of heavy institutional structures and the emergence of new fluid and transient forms of sociality have implications for a process of individualization as a global project. The meaning of this individualization process is devolution of powers, which were held by players such as the State, organizations, family or a particular class, to individuals; this results from what Zigmunt Bauman (2001) calls "liquid modernity". Bauman argues that this is a new social world filled with promise of new individual freedoms and calling for a changing terrain of power and politics. In this context, "liquid modernity" is committed to reversing this project by realising the private lives and interests of individuals. This can be so as the post-panoptic methods of control tend to affect individuals rather than institutional structures and create possibilities for individuals to take action. For example, databases can

allow individuals to select, separate and execute certain actions with that space of post-panoptic culture. These actions can vary from one individual to another. As a result, rather than the few watching the many, the many watch the few who engage in individualised actions (Bauman, 2001).

Foucault returns to dispute this argument, but this can assist my consideration of the proliferation of neo-liberal ideals around the globe (Gane, 2012). Building on *Ordo-liberal ethics*, Foucault articulates in his lectures on bio-politics that neo-liberalism is not about watching the market by the state by making the state watched by the market based on the principles of competition. Thus, the freedom of the market through the adoption of the principles of competition invades all forms of state structure and institution. As a result, there is now a plethora of techniques for performance measurement; audit practices are being introduced to government institutions to make sure they are operating to the principles of competition. NPM programmes operating around the world are capturing these principles for making public sector organisations into neo-liberal agents of the State. NPM is, thus, an economic and political space for ensuring the State is driven by the principles of competition, rather than making the government a supervisor of the market. In this particular business, the project of post-panoptic controls and the resultant process of individualisation are also coming to be fused with the implementation of the principles of competition. On the one hand, individuals rather than institutional structures are given opportunities to create entrepreneurial ideas and bring them on board for discussion and reflection; on the other hand, institutional structures such as the State and other organisations are facilitating or supporting the injection of market principles into all spheres of people's lives – social and cultural – including those of public sector employees.

The economic and political transformation taking place in LDCs, and their absorption of NPM initiatives for government modernisation, can be envisaged in the above line of argument. As stated above, in the theoretical outline of the Keynesian–neoliberal transformation of the state, the economic and political landscape around the globe is inherently complex. To me, consideration of different surveillance methods and forms of government is key to empirical analysis, but there are complex relations between the practices of disciplines, controls and competition. Given that hospital costing is a way of seeing how the principles of competition work, the empirical analysis of the narratives about every day practices should be interrogated by four fundamental questions: (1) *How did*

costing become a space for questioning the Keynesian rationalities of economics in LDCs and how did these discussions become “public transcripts”? (2) How did the same project create individuals for acting upon neoliberal ideals? (3) How was such individualised behaviour operationalised to connect the space of the hospital with the space of politics and of policy making? (4) How and why were these practices assimilated by a different form of neo-liberalism, other than that the transnational agencies envisaged? The extended case method, which I describe below, provides epistemological and methodological resources for unearthing answers to these questions.

3. Extended Case Study Method as an Epistemological Strategy

I deployed the Extended Case Method¹ (ECM), elaborated by Burawoy (1998), in order to utilise my field experience and to address the three questions mentioned above. The ECM allowed me to employ a bottom-up analysis to explain a macro phenomenon, through engagement with a micro issue. This approach, argues Burawoy (1998, p.5), “...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”. Although the intention is not to engage in a philosophical debate on the epistemological underpinnings of ECM, it is clear that it is reflexive science rather than positive science which offers the impetus for the epistemological grounding of ECM. Reflexive science, writes Burawoy “...elevates *dialogue* as its defining principle and *intersubjectivity* between participant and observer as its premise”. This reflexive principle enjoins researcher and the researched, knowledge and situation, situation and its field location, folk theory and academic theory. Relying on this epistemological position, I was able to move from the micro (i.e. the case empirics) to the macro (i.e. the global presence of neoliberalism and its associated technologies operating in LDCs) by building on panoptic and post-panoptic methods, used in the mobilisation of the new costing project under study. Thus, the ECM - as a methodological approach - connects the data (or emic accounts) with the theory (or etic accounts) and enables the latter to be developed, modified, rectified or even rejected (cf., Efferin & Hopper, 2007).

As mentioned later in this paper, I had the opportunity to study Sri Lankan healthcare costing through my association with an old friend who has contacts with hospital

¹ It was the Manchester School of Social Anthropology which first coined the phrase extended case method (Garbett, 1970; Mitchell, 1983). Burawoy (1998) revitalised use of this approach, based on his decades of ethnographic studies in non-Western countries.

administrators. I, thus, studied the KBH - a government-owned regional hospital under the supervision of a Provincial Council (PC),² through its Provincial Health Director's Office (PDO). KBH has the capacity to accommodate 475 in-patients, has 13 medical specialists (consultants), and serves 18,000 out-patients each month. The hospital is funded by the PC, which is financed by central government; international aid agencies, such as the World Bank, UNICEF, and JICA (Japanese International Cooperation Agency); NGOs; and local donors, through the Finance Commission - which was set up in 1987. According to the Provincial Director's annual budget estimates, the Finance Commission allocates funds to all provincial council hospitals, including KBH. When a hospital exceeds its annual budget further requests for funds must be made to the Provincial Health Director. The budget is governed by the programme budgeting process: the programme in question here is Patient Care Services under the subject of Hospital Services. Expenditure includes salaries and wages, property loan interest, travel expenses, supplies, maintenance, contract services, and other recurrent expenditures. As a Pilot Project, this budget configuration was unpacked into costs of activities on which I focused as a particular management accounting change programme under the broader public sector reform programme. My intention was to examine how it happened and how it reflected upon policy making exercise.

I started from the micro level, by conducting fieldwork at the hospital and its associated agencies. KBH was the first provincial council hospital in Sri Lanka to adopt the new cost accounting project - which entailed cost accounting procedures being introduced by accountants - for use both by the hospital management and the provisional council. As seen in Table 1, the micro engagement took place over ten weeks in the summers of 2010, 2011 and 2012, and was conducted in two phases, firstly, a two-week- pilot study in 2009 and, then, an eight-week study in July/August of 2010, 2011 and 2012. This was preceded by telephone conversations, which confirmed the data gathered from previous interviews. The pilot study familiarised me with the case setting - the KBH - and the managerial and political context of the PC. I was able to internalise what respondents expressed, to the extent that I occupied a *participant* position, with regard to the sharing of the expressions, feelings and

² Provincial Councils are a new form of political mechanism, introduced in 1987 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 the political power of central government to the provinces. There are nine provincial councils. But because of the effect of 30 years of civil war there are no councils in, for example, the North and East provinces.

voices of these healthcare actors. The role of the pilot study was to establish a *cultural fit*, enabling the satisfaction of the reflexive science requirement of ECM - that is to stimulate dialogue, which is the defining principle of inter-subjectivity.

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	8 weeks: 3 weeks in July/August, 2010; 3 weeks in July/August 2011; and 2 weeks in July 2012	32	Official documentation, telephone conversations, and an interactive seminar in SLIDA, attended by 35 accountants, administrators and doctors
	Approximately 20 hours of telephone conversations in September, November and December 2012	4	

During the pilot study 11 lengthy conversations (each taking between one and a half to two hours) were conducted with KBH and PDO actors. They included the former Medical Superintendent, the KBH hospital Director, two consultants, a nurse, the hospital's chief and assistant accountants, the PDO accountant, the Provincial Director of Health, and two patients in the outpatient department (OPD). These actors held official and non-official views about the healthcare services they were involved in, and spoke of their experience of KBH and the managerial and political context of PC. I opened the conversations by posing broad questions, for example, what responsibilities do you have in this hospital/office? How do you perform them on a daily bases? How long have you worked in this hospital/office? What issues have you experienced in terms of management and the use of limited resources allocated by budgets? 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? These questions not only provided a way of approaching respondents but also of introducing thought-provoking topics, which could prompt individuals' stories and

memories about changes which have occurred in the last few years. Moreover, as they progressed, the conversations became more interesting and were extended to cover more themes and topics, which focused on healthcare provision.

The hospital experience provided me with a set of issues to be discussed with the *actors* at PDO. I asked how they felt about the old budgeting practice, and what they considered the implications to be of the change introduced at KHB. Also, what opportunities did they feel the new cost accounting project had created. How might these opportunities be used to improve performance? What reaction did the PC have? How well motivated were people involved in the process of creating cost information? How did politicians use this new information? I compared the responses of the hospital and PDO actors and ran a bottom-up analysis of how the cost accounting technologies worked in a wide societal context, where actors are engaged in a political project in the name of management improvement. I explored how routine practices are linked to the political project of appreciating reform, in light of neo-liberal ideas, and how such change agendas were made through managerial discourses - presented as documents, reports, and budget statistics, for actors to reflect upon. I considered these documents, read local newspapers, and reviewed the respondents' comments – which were statistically, graphically and pictorially represented in official documentation.

The 2009 pilot study was followed by a period of 10 months reflection back in the UK, during which I engaged with some literature on development and governmentality³, and digested the conversations and documentation reviews. I concluded that neoliberal ideas were circulating around the world, in the guise of development discourses. The cost accounting project was just the *tip of the iceberg*, it seemed there was more to consider about the operation of technology of costing through agencies and agents. Also, it was clear that the *iceberg* rested on certain structural conditions, which determined how 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. Instead, I discerned that there were structural perspectives that worked as enablers, as well as constrainers, in the implementation of the

³ The literature reviews, however, was a continuous project – at the time of writing, I was impressed by post-governmentality literature (Gane, 2012).

costing project and in the creation of conditions of political and managerial possibilities for actors to engage with. I hoped to speak to further empirics which were to be gathered from the main study before finalising this theoretical issue. Until this was possible, I tabulated the findings from the pilot study - in accordance with the major questions raised - and phrased further questions against these findings.

The table which emerged became a roadmap for the main study, which I conducted during the summers of 2010, 2011 and 2012. When the main study began, I was convinced that the operationalisation of agency in the manipulation of costing innovations was conditioned by path-dependent institutional logics, which hinged upon the Sri Lankan healthcare culture, in particular, and the Sri Lankan cultural and political economy, in general. With this in mind, I decided to explore both public transcripts on how neoliberalism was at work and the hidden transcripts on how some of the practices were constrained by these institutional logics. Consequently, I met the previous 11 actors to extend their conversations, in order to get to the bottom of the hidden transcripts about the routine practices. I also made arrangements to speak with another 21 actors from KBH, PDO, PC, and the central government's Ministry of Health in Colombo. This included a consultant from the Sri Lankan Institute of Development Administration (SLIDA), who had been busy diffusing 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 cost management and the issues surrounding the modernisation of government. The extended conversations, which lasted between 1-3 hours, proved effective - in terms of gathering richer views on the fundamental theoretical questions outlined above. The seminar provided me with an intellectual platform, for me to discuss other matters raised during the conversations. This time, I used more open questions and listened to what people said about the "confinements" and their relaxation towards the tendency of "individualisation" but with some different constraints. Documents and local publications helped me to reflect on the practices 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 clarify research gaps.

Conversations about both public and hidden transcripts provided me with detailed *emic* accounts - which I logged daily during my fieldwork. However, these logs were not systematic or analytical, and I ended up with a lengthy and messy document which needed

judicial analysis. The more I read the document, the more I realised that there were some post-panoptic tendencies in the cost management project - as post-governmentality literature suggests - but also that there were similar tendencies towards path-dependent structural logics which constrain the former. I then rested on this dialectical analysis of development policy making within the context of PC where new costing project acted a pivotal role in opening the budget “black box”.

4. Unpacking the Questions

Questioning the Keynesian Model of the State

A small island (with the area of 65,610 square kilometres) in the Indian ocean, Sri Lanka was subjected to nearly 450 years of colonial rule, from 1505-1948, and subsequently moulded its social and institutional arrangements on British administrative legacies - which are evident in management and control practices in both public and private sector organisations. As in other developing countries, in Sri Lanka’s the state bureaucracy is seen not only to be a mode of management control but also the medium for the distribution of life chances for its citizens (20 million today). As public sector consultants SLIDA assert, the administrative organs and associated technologies of management within the bureaucracy are considered to be the driving forces for the determination of the country’s social and economic wellbeing. With regard to the provision of collective goods, such as education, health, security, utilities, transport, and telecommunications, these administrative and managerial mechanisms of state bureaucracy became the core of the country’s institutional arrangements - which have remained unchanged since independence (Jayawardene, 2000). The institutional arrangement contains financial and administrative procedures, and a network of organisational configurations operating from Ministry of Health (in the country) through Provincial Ministry of Health to hospitals and local caring centres.

Healthcare delivered by government hospitals - both at the central government and provincial council levels - bears a cost of between 4.5% -5% (over the years) of GDP and has a reputation for exceptional health outcomes. Maternal and child health care is especially good and there has been a low prevalence of infectious diseases over the past two decades (Interviews with Health Ministry Officials in July 2009). The middleclass, which can pay for its healthcare needs, chooses private sector healthcare services - which have developed enormously in the

post-independence era. Government-owned healthcare is now an essential service, delivered mostly to underprivileged people. As a result, government healthcare which is aimed at the majority of the populations is far from being privatised or reformed drastically towards making the sector much more financially viable and managerially efficient and effective. Instead, the sector remains unchanged and continues to be part of the nation's social and welfare agenda - which is a politically sensitive battlefield as it has implications for majority of people's healthcare provisions. A consultant said: *"I came from a rural background. I was educated in government schools and universities and cared for by hospitals like these. Nobody wants to sell this essential public service to the private sector"* (Interview, July 2009). As there was no alternative, the bureaucracy prevailed as the unchallenged mode of management control. An accountant said: *"There is bureaucracy that guides us to do control budgets. I know that some flexibility is important, like the recent cost accounting project has introduced. But bureaucracy is still there"* (Interview, July 2009).

It is clear that within this state bureaucracy, a panoptic mechanism is at work, developed under the auspices of the Keynesian model of the post-independent economy (after 1948). When British rulers introduced government bureaucracies, they focused on expenditure control. The Finance Director at the Health Ministry in Colombo revealed the history of this practice: *"The Treasury began to control the budgeting process before we had independence. All departments prepare their draft estimates and submit them through the Minister. The Finance Secretary has the discretion to approve or disapprove of further proposals for expenditure. The Treasury prepares the overall government budget draft and submits it to the Finance Minister, so he can prepare the budget speech. After Parliamentary proceedings the final approved budget becomes the benchmark for the control of all departmental and ministerial expenditure - including government hospitals"* (Interview, July 2009). The Ministry then takes *action at a distance*, by using the budget as a panoptic method for surveillance purposes. No discretion or flexibility is in-built, which enables individuals to operate differently.

The colonial origin of government budgets, and their bureaucratic imposition on agencies such as hospitals, merely reproduces the Keynesian model of economy - which celebrates the state-central planning regime and the welfare economic tendencies. Factors such as pervasive under-development, an under-privileged population, the absence of an efficient market for public goods - such as healthcare - formed structural justification for

this Keynesian tendency. The bureaucracy was, thus, not unpacked to reveal its inefficiency or to offer more enabling and flexible alternatives. The hospital Director affirmed: *“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 when JAICA came in”* (Interview, July 2009). Apart from the recent Japanese introduction of a new costing system, hospitals have had little opportunity to launch an innovative change agenda.

Through my association with the Finance Director, I came to know that the Ministry of Health had a master plan, which focused on evidence-based management – in order to question the Keynesian tendency, mentioned earlier (Documentation, Ministry of Health, 2009). The programme was directed by the WB and WHO, and its progress was to be reported and discussed with these organisations. Part of this programme was a cost accounting project, which aimed to cost and report on the hospital’s clinical processes, including the costing of patients’ daily services. The Finance Director said that, initially, there was a pilot study in two hospitals, but that now a number of hospitals have embraced this costing approach. He said that hospitals were to be controlled by an *imposed* budget, comprising of a number of expenditure items, but that the internal composition of these items was not decomposed, analysed and reported. As a result, nobody knew what the underlying costs were and no one was worried about how these costs could be calculated and controlled. He 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 any inside of these categories for us to know about how these expenditures are actually costed”* (Interview, July 2010).

I looked at the Health Mater Plan (HMP). It contains a broadly defined strategic framework, with a specific focus on cost accounting. This was confirmed by the Finance Director at the Ministry. He said: *“The Master Plan is now a public document. We are all aware of what is in it. The cost accounting project is an important element, because everybody wants either to reduce costs or, if possible, to eliminate them altogether. Initially, we were told costs were the problem, not an absence of old costing”* (Interview July, 2010). HMP is now thought to be the way to about cracking the panoptic discipline due to *“...the problems of costs and the absence of costing”* (ibid). Given the difficulty of making dramatic changes in the LDC context, this slogan was not a radical guide but it became a point of

entry for discussions among hospital accountants and senior managers, and for documentation of issues in healthcare (Silva et al, 2007). The accountant said: *“The change was difficult but the HMP had an educational value for everybody to think about a strategic plan. SLIDA also highlighted this necessity during a number of seminars and workshops”* (Conversation at seminar, July 2012). As a public transcript, HMP played such a discursive role in making the status quo problematic and to think about alternatives.

I spoke to one of nurses in the case hospital, who later became instrumental in sustaining the costing project. Although he was not aware of the literature on the HMP, and its strategic significance, he was able to speak about the local cost perspective. He said: *“I am from a surrounding village. I know that this hospital is ours and our community’s. We know that the government is experiencing hardship. We must help the hospital to save money and improve services”* (Interview, August, 2010). I have found that the HMP discourse has penetrated local usage, in the name of saving money and improving services (ibid). As there is no market, or other managerial rationality, the notion of cost seems to signify the *problematic* of the government. The problematic of the government, in the LDC context, demands that a conversation is begun on how underlying inflexible bureaucracy can be reduced and alternatives found. Hence, costing is seen to be a technology of calculation, as well as a technology of discursive formation - even though the social space for this tendency is limited.

In the attempt towards making the Keynesian development discourse problematic, there is a paradox though. On the one hand, there is an economic argument against the welfare economy, as it costs a huge amount - leaving less money for infrastructure development programmes, which are necessary for neoliberal policy implementation. On the other hand, it is politically infeasible to replace public health with privatised forms of provision based on market principles - which are beyond the purchasing power of the underprivileged poor. The problematising of the Keynesian development discourse is, thus, not a problem free, apolitical project. The next section deals with this paradox, and the role that cost accounting plays.

Creation of individuals through cost accounting

It was the JICA (Japanese International Cooperation Agency) which acted as the consulting arm of the cost accounting project. JICA has been involved in such projects as part of their mission for improving governance. JICA's mission documentation spells out: *"A state's capacity for governance refers to its status as a society that can take the resources available to it and direct, apportion and manage them efficiently and in ways that reflect the will of the people. Improving governance is of vital importance to the stable economic growth of developing countries. However, these states often have underdeveloped legal and judicial systems and administrative organs, which present obstacles to efforts to reduce poverty through economic growth. Now, JICA offers support aimed at improving the fundamental systems needed by a state, as well as systems for effectively providing public services based on the needs of people, and at fostering the institutions and human resources needed to manage those systems appropriately"* (JICA Documentation – accessed August 2009). The hospital accountant said: *"JICA conducted a series of workshops for educating us in terms of cost accounting calculations. They emphasised that, beyond the budget, we can calculate costs and prepare monthly statements of what is happening. For this, they simply used traditional cost allocation techniques for creating cost centres such as wards and patients, and to allocate volume-based cost to these cost centres. Also, they trained us for using spreadsheets for preparing cost statements"* (Interview, July 2009).

Although these accountants were aware of cost allocation techniques, they never thought of doing this beyond manufacturing firms. The accountant continued: *"We knew these techniques, but we were taught of them in the context of production departments etc. As hospitals do not have such processes, we never thought in that way. In that sense, it is a new idea of using old techniques."* (Interview, July 2009). The cost accounting training programme was much appreciated by the Ministry officials as well. One of directors at the Ministry said: *"As we are in a different field, it was very new to us. We were not invited for these workshops but had a Japanese training in Japan in 2008 for us to see how Japanese hospitals work using these new management techniques. We were so impressed by this experience. The JICA's cost accounting workshops were an attempt, I guess, to introduce such management techniques in Sri Lanka. I think costing must be crucial in understanding what is happening before thinking of whether it should be done. We learned this lesson from*

our training programme. I presume the participants at JICA's workshops must have felt the same" (Interview, August 2012). The promising start of the cost accounting programme was, thus, mobilised in the mindsets of accounts' people and clinical staff alike, as a historical change agenda within hospitals and a way of managing limited resources generated from taxpayers.

The training programme is, thus, not only a mere cost accounting initiative within hospitals, but is also making the hospitals a terrain for the hybridisation of clinical practices with management ideals, as Kurunmaki (2004) saw in Finnish hospitals. One consultant in the KBH said: *"We are now aware of these terms and we are now part of this scheme. We are also now learning to save costs and economise the 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. While we are doing so, our accountants are also now learning clinical processes, to cost them and suggest possible savings"* (Interview, July 2009).

What is fascinating here is that the accountants are gaining some respect within the hospital, which was never previously the case. As a result, the motivation for accountants to take the lead on this costing project has increased significantly. On the other hand, as one doctor said, they have a real interest in learning about costs and making clinical decisions, based on that knowledge: *"This is fantastic. We now learn something new which we couldn't learn in the medical school. I fully support this"* (Interview, July 2010).

One important aspect which impressed me was the creation of *individuals* rather than the confirmation of old systems. As I understood it, the cost calculation was about identifying budget items buried in budget statements. This amounts to an unveiling of the inside of *crude* figures by breaking them down into costs that can apportion some responsibility to individuals in the organisational hierarchy. The accountant said: *"Previously, we (the people 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 respective people."* (Interview, August 2011).

This is nothing but the realisation of the neoliberal aim. Now, individuals rather than confinements are emerging with some aims, actions and responsibilities. The accountant at the PDO said: *"I think this change is not a big thing for us, as we knew all these cost calculations. But, it was a road to think about cost savings possibilities."* (Interview, July

2011). One example in this regard was the story of electricity costs. The nurse I interviewed said: *"We all face the problem of electricity bills at home. Accountants showed to us that is the case here also. We now know that we must take some actions. One simple thing was to change the bulbs. The other was to change the spots of lighting to keep lighting only for essential areas. These kinds of simple things began to save a lot and we were so motivated to think about more such things."* (Interview, July 2011).

What is happening here is a transfer of the responsibilities held by entities, such as the accountant's office, to individuals who want to bring their ordinary life experience to the workplace. On the one hand, new cost statements have created a space for them to think about their work differently, and, on the other hand, they have tried to connect their own experience of household poverty with the workplace. Although this was seen as a tiny contribution to the overall hospital budget, it represented a historical event in the release of the clutches of public sector management entities into the hands of people at the grassroots level in the hospital. Another example concerned the way the wards distributed hot water (for drinking) to in-patients. The chief accountant said: *"Earlier, there were small kettles in different wards and everybody had to boil water and distribute it to the patients when they asked. We thought that this is so expensive in terms of electricity costs. We now have a shared system with a systematic way of providing hot water and we have managed to save a lot. This was an idea proposed by nurses."* (Interview, July 2010).

Like in the case of the electric bulbs, the responsibility was taken from the accounts office, and the individuals who had concerns about the allocation of resources - and their effectiveness - have become the decision-makers, on behalf of the cost accountant. The cost accountant role here is to create social space, by revealing the numbers and making them available for individuals to act upon. The detailed numbers, which were obscured by the crude budget figures, are now playing a role in the creation of individuals who can be accountable for new ideas.

This transformation has a cultural implication as well. The accountant said the nurse is from the local area near the hospital and he wants to show that he is now reserving some aspects of the budgets for the wellbeing of the people living in the surrounding area. The chief accountant said: *"The nurse is so motivated. He is a real character who grasped this costing project very well. Another thing is that, as he comes from the area, he has real motivation to show the people in the area that he takes care of the budget. He likes his*

responsibility and he works after hours. He has pride and a sort of self-satisfaction. This is just like a farmer who looks after his own cultivation. Also, he leads his juniors to follow him" (Interview, July 2011).

People who come from rural villages behave like this, if they have the chance to. It is fascinating to see that a kind of village culture has entered into the arena of cost savings, rather than opposing the changes, as reported in Wickramasinghe & Hopper (2005). This cost saving project did not reflect a *mass transformation* but a particular occasion where I observed assimilation of neoliberal ideologies into the public sector agency. The occasion is important, in that it points to a challenge the disciplinary confinement hinged upon the traditional budgeting system. Also, this project represented taking the peoples' village culture back into the public sector bureaucracy - making personal voices heard in the cost-saving exercise. Although this is a random event, this would not have happened had the change programme not been in place.

Individualisation has increased people's awareness of their work commitment - which was, in the past, regarded simply as a job for a monthly salary. Now, as the above story of electricity savings tells us, the job has been distilled into a series of duties and some commitments - as people think they have the power to make suggestions as managers or accountants. The accountant described this change: *"They have taken some parts of our duties and deal with cost issues. As a result, they don't regard this as a job on the payroll. Instead, they have some commitments to engage in things seriously for cost saving avenues. They are still continuing to do this. This is a marvellous development we never had before"* (Interview, August, 2011).

What I felt was that people are now not afraid of rules and procedures, which are embedded in budget constraints. Rather, they exercise some discretion created - by the cost calculation - which reveals the problems of government and seek solutions to these problems. Hence, governance that led to disciplinary surveillance has now been transformed into a system of self-governance, through the engagement of cost saving projects by random individuals rather than collective entities.

Moreover, individualisation has some implication for *atypical competition* for innovation towards cost savings. However, this is not a competition implied in neoliberal frameworks, it is one that creates room for some people who want to become respected and regarded. The case above of the nurse is a good example. He was a random person who

came up with ideas filled with his cultural and personal desires. He sought others' support but others did not compete with him to take over the position he had developed as an *innovator*. Random people, such as the nurse, wanted to avail themselves of the opportunity to *compete* with bureaucracy in a subtle way. But the hospital bureaucracy did not see this as competition. The hospital director said: "*Yes, people are now aware of our finance problem. The government is not in a position to support all the needs. So, we like the people to come out with ideas to use our limited resources wisely. I like this costing project in that sense. The reports we get reveal our limitations, so we like the people to come out with good ideas.*" (Interview, July 2009).

In this way, the hospital managers have brought the problem of the Keynesian economic model into their own trial and have sought alternative solutions through breaking down of confinements and empowering individuals. Returning to Delueze's post-panoptic movement and Foucault's *Ordo-liberal ethics* within his bio-politics accounts, I was impressed by the stories above for they allowed me to understand how governments are now being watched *by* the markets - rather watching *over* the markets. Even though markets do not exist in non-privatisable public bureaucracies in developing countries, "individuals" try to experiment with some forms of market principles in their cultural and local contexts. The value of the cost accounting project in KBH was that it created space for individuals to be involved in the cost saving process in poor geographical areas. This social space was created by the provision of spreadsheets and cost templates, and the resultant cost reports revealed surprising stories of how limited resources were used wisely. As there are no other options available for the people who confront poverty and underprivileged social positions, the chance has been optimised to create an optimal market for cost-saving exercises. Even though the initial aim of JICA was to introduce costing for managerial purposes, the individualisation tendency seems to have been an unintended, but positive, by-product of the project.

Politics of costing at policy circles

The above story of the *creation* of individuals and their actions was brought to the attention of policy circles (i.e. the PDO). The forum for this was the quarterly cost accounting review meetings chaired by the Provincial Director. The meetings are not aimed at the discussion of individual hospital management issues but at reflecting on the experience of the cost

accounting intuitive and learning lessons for Provincial Council (PC) policymaking. The Director's role, in this regard, is to prepare summarised minutes from the reviews for the PC minister - who is in charge of health services. These review meetings act as a bridge between hospital management and PC level policy making. The insight gathered from these meetings is recorded and, along with information from other sources, is used in the preparation of annual performance reports. Financial performance within the provincial Health Ministry is characterised by substantive cost savings in various sections, including performance of both the recurrent and capital budget projects under the World Bank, UNICEF, NGOs, and other local donations (Performance Report, Provincial Health and Sports Ministry, 2008).

The cost accounting review meetings at the PDO, and their outcomes, are important for our analysis in a number of respects. Firstly, the meetings act as *eye-opening* sessions during which the cost savings programmes and innovative ideas are presented by the hospital's Chief Accountant. Commenting on this innovative approach, he said: *"When we had a set of new ideas that led us to save costs, we were so proud to present them at the PDO's cost review meeting. I used my PowerPoint slides to do the presentation. People were impressed, as we pioneered these kinds of things in the province. I was also pleased to introduce the people behind these innovations. Moreover, during the break, they talked to me personally and asked about our internal arrangements"* (Interview, August 2011).

The accountant's pride about the cost-saving reports is evident. Now, the "individual" is him rather than, for example, the hospital nurses. As these cost review meetings form a new element of the PDO administration procedure, the forum acts as a social space for the creation of individuals beyond the traditional administrative arrangements which merely focused on unpacked budgets. As cost accounting is a new activity - added to the gamut of financial management arrangements the provincial health ministry has to content with - via these experimenting hospital sites, the creation of individuals is a novel experience within the business of provincial administration.

Secondly, the review meetings are not neutral but operate as a healthy political terrain where the participants debate the issues of the limited financial resources available for hospitals. As the accountant at the PDO said, there were always at least two opposing views. He said: *"On the one hand, when the KBH 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' (Interview, 2010 July). The point in the debate, then, is how one organisation can find time and another can not. Returning to the *individualisation theses*, what happened at the KBH hospital was that, according to the Chief Accountant, the cost accounting programme created an opportunity to *"...find time and mobilise innovative ideas which are strategically important"* (Interview, July 2010). The accountant at the PDO said, *"The Director takes the opportunities to highlight good practices and best examples for others to follow"* (Interview, July 2010). Due to the leadership power of the Director, and the *strategic importance* of the cost accounting initiative, the debate leads to lessons which others can learn from.

Thirdly, the cost-saving programmes became subject to isomorphic effects. Although these effects were not very significant, the KBH acted as an epicentre from which inspiration about how to crack down on bureaucratic budgetary systems began to spread to other hospitals. The cost review meetings acted as *a centre of diffusion*, as other hospital accountants saw a means to enjoy some flexibility in financial management, especially the management of budgets. The Director at the PDO said: *"This costing project is now beginning to spread into other hospitals. Our review meetings are opportunities to learn from KBH. 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 move was commented on by the PDO accountant as well, he said: *"I think they can cope with this very soon. They know the methods and how to use the software programme. Some asked me about them."* (Interview, July 2012). I realised that seminar I conducted at SLIDA was also useful.

Fourthly, the PDO Director said that the discussions occurring at the cost review meetings, were being fed into his office documentation process - specifically the corporate plan and performance reports. When I looked at the corporate plan, I saw that the Ministry planned to encourage economic development within the North Western Province by implementing *"...efficient and quality health services through necessary policy"* (Ministerial Corporate Plan, 2008). The Director said: *"Our aim is to prepare the correct policies for 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, fraud and improve commitment. Therefore, our statements in the corporate plans are not just words but statement that guide us to do the correct things."* (Interview, July 2012). When I

asked whether they had improved their corporate planning process, in light of the experience gained from the costing project, the accountant at the PDO stated: *“Now we don’t do that but we reconciled the corporate plan when we come to do the annual performance report. It is an annual exercise. We gather data from various sources, including cost review meeting minutes, and compile a performance report summarising our financials as well as administrative achievements during the year. Yes, of course, a great deal of knowledge gained from the cost accounting experience is reflected in these reporting exercises”* (Interview, July 2012).

Overall, cost accounting is now integrated with administration policy at the PC level. The PDO and the cost review meetings have become the mediating configurations which bridge the micro activities supporting innovation in cost savings and policy. KBH acted as an epicentre for the genesis of ideas that became subject to isomorphic effects. Other hospitals seem to have been inspired by the performance at KBH and have adopted some of these technologies. Although I did not examine whether KHB replicas were emerging in other hospitals, I was encouraged by the way in which the cost accounting experience - along with other administrative apparatuses - was fed into performance reporting. Performance reports were crucial as politicians use this information in their political campaigns – which are reported in national and local newspapers and by local and national radio stations and TV channels. However, we must not overstate the value of the costing projects. Instead, we must appreciate that, while cost accounting was a novel experience that led to a cracking down on bureaucratic budgets, there are other administrative apparatuses - including HR procedures, clinical practices and logistics procedures for drugs and medical supplies - which involve legacy practices that cannot be changed. However, all these aspects have been converted into cost terms, and the findings and innovations discussed, reported and appraised at PDO level. This bottom-up approach seems to be an effect of the neo-liberal mode of change, and points to a shift of disciplinary-based governance towards control-oriented, fluid practice.

Assimilation into an unintended form of neo-liberalism

Despite the implicit connections between neo-liberal economic and political tendencies and the cost accounting initiative, the form of neo-liberalism I encountered in the context of healthcare in the NWP was not typical. Reduction of the power of the state, by transferring

some of its major welfare services to the private sector or using private sector management models for enhancing competition in the market place, was the objective of the Western model of neoliberalism (Hayek, 1945). However, as Harvey (2005) observed, this model could not be applied everywhere, due to special variations. The form of state in NWP was atypical.

Firstly, the NWP enjoys devolved political power. On the one hand, both administrators and politicians want to retain their power, and expand it to cover more activities and areas. On the other hand, the actors tend to experiment and engage in innovation – with the goal of maximising use of resources. Hence, the power devolution package has created a political space for a collective effort to be made towards the retention of the welfare state, rather than the accumulation of massive privatisation or marketisation projects. Private sector technologies are used to justify the welfare state, within this State form. As Deleuze and Guattari (1987) observed, this is a form of state where there are various apparatuses, rather than an orthodox state. A NWP member said: *“We all try to maximise the social wellbeing of the people in the province. Although some argue that this is a white elephant, we do a lot of things under the purview of PC legislation. The Finance Commission helps us maintain the corporate plans’ missions of all the ministries. However, we encourage the private sector to launch new businesses and industries in the region, but we cannot destroy the public health services as the poor have no other place to go”* (Interview, July 2010).

This represents a political motive, as many votes come from the poor. However, the administrators use modern technologies for governing purposes. As the accountant at the PDO said: *“There are a lot of meetings to discuss corporate plans and programmes. We have a Deputy Director (Administration) whose main job 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 do. 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 these 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 in a rigid bureaucratic one, this governing mechanism has, thus, flexible tendencies that can be characterised by post-

panoptic (post-governmentality) principles - through which individuals can find a consensual space for their actions and agency.

Secondly, the form of neoliberalism in this context was assimilated into a set of unique cultural practices which were, inevitably, reproduced in peoples' daily affairs. The construction of individuals, and the tendency towards individualisation, takes place in the context of a cultural institution. The Chief Accountant of KBH said: *"As I mentioned the other day, people like to be active in the hospital, to show that they can do things and can lead a group of people. I am sure you can understand this"* (Interview – August, 2012). Indeed, I do. The local culture I experienced in the country was characterised by some collective behaviour but, as in a tribe or an extended family, one person tends to *lead* as a *King* - by doing something and becoming, what the Sri Lankan social scientist Kumari Jayawardene (2000) called, a *nobody to a somebody*. One 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 the midst of expectations, surrounding the implementation of new ideas, individuals emerge as *change agents* and retain the cultural power within the locale. Public services are then used for operationalising local cultural desires, without making grand changes. Because of the extreme poverty in the local economy people tried to protect their local hospitals, as they provide a public service but with some effective ways of delivery healthcare. Then, the public services such as healthcare cannot be privatised for ever but little changes, which can be desirable from such cultural and political perspectives, can only be possible. The tendency of individualisation, and its resultant form of neoliberal state, must be understood from this cultural political perspective (c.f. Wickramasinghe and Hopper, 2005).

Thirdly, when constructing a different form of neo-liberal state, local cultural productions, such as cost savings and innovation, become subject to competition between professionals at the policy-making level. As we saw before, ideas were discussed at cost review meetings and disseminated to participants who started to think they could also utilise them. On this point, the PDO accountant said: *"People are now trying to do something beyond the budgets, as the KBH has done. I am now very busy, as people in other hospitals - such as Putlam and the Malaria Protection Unit - have asked me questions about*

the process of cost accounting” (Interview – July 2011). The director of PDO said: *“We have now created an environment for people to think differently and to achieve our corporate plan goals. Although they do not have enough technologies or know how, they have tried to follow KBH and have begun to introduce similar ideas, because they also want to show something. I am pleased with this attitudinal change. But, we have to teach them how cost reports should be prepared”* (Interview – July 2009). This response is not the one expected by neoliberal proponents, but rather a form of behaviour that leads to question bureaucracy and develop alternative forms of self-governance. Technologies, such as corporate planning and cost reviews - as well as the cultural expectations of people who want to do something - are the key motivators of this approach. This contributed greatly to the development of post-panoptic control mechanisms, but in this very context where *modes of operandi* were different as we saw above (c.f. Deleuze, 1995; Baumann, 2001).

Fourthly, the formation of the neoliberal state, within the NWP, was inspired by specific conditions imposed by *financial suppliers*, such as the World Bank, UNICEF, JICA, and other NGOs and local donors. Considerable funds have come from these sources, for both recurrent and capital expenditure. These organisations naturally expect the funds to be deployed wisely and carefully. The PDO accountant said: *“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). When I asked whether cost accounting projects helped in this regard, he said: *“Of course, they liked this very much. And, they encouraged 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 of with continuation of funding”* (Interview – August, 2011). Thus, despite the cultural, political, and economic context, the NWP has to be neoliberal and to adopt managerial technologies for delivering accountability to the financiers. The establishing of such a neoliberal form is, therefore, inevitable and cost accounting plays a vital role when opening discussion or dealing with confrontation at PDO meetings.

Finally, it is, clear that an embryonic form of the neoliberal state is being developed under the circumstances outlined above, however. There is no anticipation that, in the foreseeable future, the NPM programme will be rolled out across hospitals in the NWP. What is fascinating though is that, despite cultural, political and economic constraints, a social space is developing where there is opportunity for individuals to be constructed beyond the confinement of bureaucratic structures - that were once the backbone of postcolonial governmentality. Although embryonic, this process may be sustainable due the sharp conflicting forces that impose on the governance mechanisms of the NWP. Cost accounting is now well established as an approach, as it has performed well in the cultural context. Nevertheless, it remains embryonic, in that traditional cost allocation technologies are still adhered to, with some new ideas incorporated from activity-based costing. The accountants are not worried about this. The PDO accountant said: *"We know activity analyses. But JIA 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 is that cost accounting can work for a particular political purpose, when simple cost allocation methods might have been sufficient. Clinical and associated service processes, such as procurement and supply, became objects which could identify cost - which was never the case before. This embryonic approach performed well, with regard to the construction of individuals and informing of policy decisions.

5. Discussion and conclusions

I will return to the questions this paper aimed to address, that is whether - and how - cost the accounting initiative at the hospital studied problematises the Keynesian model of development; promotes an ideological space for the neoliberal state; mobilises individuals rather than systems (in order to crack down the established bureaucratic budgeting system); and constructs a new form of neoliberal state. The analysis presented in the preceding section will now be used to reflect on how it is possible to broaden these micro questions into a macro-analysis of societal manifestation of management accounting in a less developed country - especially within the context of a discursive transformation of development. I explored the roles of accounting within and without organizations, and

reflected on how accounting might be infused into broader reform programmes and policymaking exercises. The point of departure for this was the work by Hopper et al (2009), which focused on management accounting within LDC reform programmes, and the resultant *unintended* consequences. Also, the work by Chang (2009) and Modell (2012), which focused on the infusion of political interests in the implementation of NPM programmes. I approached this latter question differently, in order to determine how accounting has helped reconfigure the Keynesian model of the state into the neoliberal state - within the Sri Lankan postcolonial context.

While our questions examined accounting in action, they also offered insight into the nature of our changing world with regard to neoliberal experiments. Deleuz's idea of *breaking down the confinements* is a starting point for us to engage in this examination (Deleuze & Guattari, 1987; Deleuze, 1995). 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) called *fluid modernity*. We saw that this breaking down effect was rooted in the neoliberal turn in the economic and political spheres and subsequent processes of globalization, which Giddens (2009) calls *a runaway world*. It is then interesting to explore whether the political and economic model, built on the post-war Keynesian ideal, is also breaking down in LDCs. The Sri Lankan healthcare reform tells us that this is so, in that the LDC state - which runs a welfare economy - is subject to a fiscal crisis, and that new ways are being sought to solve this. The cost accounting initiative in the KBH is saddled with this universal issue.

Healthcare in LDCs is an essential public service, aimed at the underprivileged in society, and, as such, wholesale privatisation - or application of orthodox market principles - is unthinkable, in both political and economic terms. Post-panoptic controls (Deleuze & Guattari, 1987; Deleuze, 1995), which operate beyond the ideals of governmentalities, are a useful tool which enables policy makers to think about constructing the social space for cracking down on the orthodox Keynesian model - in which bureaucratic budgets justify the continuation of the welfare economy. As this 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 may operate beyond the rigidity of orthodox budgeting. Cost-saving stories, behind individual budget figures, were revealed and the resultant cost reports circulated to the general public - which was never the case before in public services such as hospitals. The stories about unaffordable electricity costs, and the way in which resources could be used wisely, were able to be used to address questions being asked. These questions led individuals to think about sensible solutions. In this way, cost accounting created the *condition of possibility*, for cracking down on budgetary confinements. Although the process might be different in other parts of the world, given the specific type of economy and society, cost accounting has a universal vital role to play in healthcare provision. This reflects what Bauman (1995) called *fluid modernity*, or what Deleuze called *the breaking down of confinements* (Deleuze & Guattari, 1987; Deleuze, 1995).

The social space, which was constructed, also produced individuals with *agential potential* for personal engagement when making suggestions about cost savings. This marked a stark shift in the role of cost accounting technology, from the accountant's office to the hospital ward, and the liberalisation of the *professional* responsibility into the hands of the layman. Even though this transformation points to an additional task for the non-accountants (such as doctors), they enjoyed being involved in this way, and earned much respect from colleagues. This marked a kind of *democratisation of costing* (cf. Roy, 2010), by taking the countries' problems back to the people who most suffer. They are made aware of the issues and asked to provide solutions. Then, they begin to think that they can, indeed, find answers – if only they had the power to do so (Ibid.). 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 work and underlying attitudes.

However, these individuals are different to what Bauman, Deleuze and Guattari (Baumann, 1995; Deleuze & Guattari; 1987; Deleuze, 1995) theorised and predicted. Their *individuals* were saddled with 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, through passwords given to them, and made decisions

within the parameters of the surveillance programme they were in. These surveillance programmes operate not only as disciplines, but also as controls, interactivities and mechanisms for promoting competition (Gane, 2012). In contrast, due to a lack of resources, hospital workers were unable to access these facilities - other than printed cost estimates and note books. Hence, these *individuals* were more real than virtual, and availed their local cultures to be connected, activated and accomplished in “real terms”. The process of individualisation was characterised by a social space from which *peculiar 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 – to take advantage of available opportunities and encourage others to collaborate. As long as the local hospital studied was much assimilated to this village culture, the same culture is easily reproduced in the hospital for “getting things done”. The same collaborative culture manifested around a trade union leader, and helped form *resistance* to a production budget (Wickramsinghe & Hopper, 2005). In KBH, the tendency towards individualisation occurred but according to this cultural “rules”.

The other question of how these micro experiences were fed into the macro was fascinating. Before the cost accounting project, there were no cost review meetings - as the *break downs*, mentioned above, did not take place. Now, the cost review meeting creates a social space that unpacks the bureaucratic budgetary controls; creates opportunities for internal markets; and reshapes the way governmentality works – transforming it from a position of *mould* to *modulation* (Gane, 2012). The cost review meeting acts as another mediating instrument, inspiring a transformative tendency for debates and confrontation - and creating a *visible hand* of competition. Unlike the culture, inculcated by previous budgeting regimes, cost-based budgets - and their associated reports and reviews - become enabling mechanisms, visible at the cost review meeting. 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 the confinement - pointing to 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 which transpired within the

PC and the necessity to deliver accountability have fashioned combined effects on the project's momentousness and institutionalisation. Hence, a form of neoliberalism is being infused in this postcolonial state – which seeks the legitimacy and justice for its establishment. In Bauman's and Deleuz's terms, this is how the *breaking down* thesis is being visualised around the world. Even though this seems not amount to radical whole sale change, *welfarism* is on trial - at least with regard to the management of limited resources, in light of technologies such as cost accounting. Foucault's later lectures on bio-politics illustrated this *neoliberal marketisation* of the state (Gane, 2012).

The form of the neoliberal state being shaped, and the role that the cost accounting initiative has played, is not typical. The argument for power devolution within provinces; the particular culture that produced atypical individuals; the competition between professionals that transpired isomorphism; the financial dependency on external financiers - that demand accountability and associated discourses; and the embryonic nature of the state-making exercise are not only the *characteristics* of this peculiar form but they also shape the *nature* of the peculiarity. Cost accounting, thus, not only privileges a neoliberal state but also confronts issues emanating from the peculiarity. The politics of accounting (Modell, 2012; Chang, 2009) are inevitable; they tell us more about peculiarities and atypical forms of states. Hence, the changes do not amount to *colossal proliferations* but rather reproduction of certain, inevitable structures that are embedded in both people and systems. However, we should not be over-shadowed by these inevitabilities, and reject an examination of the way in which accounting is assimilated into LDC States. Instead, we need to explore the space *between* structure and agency, in order to reveal the peculiarities that shape different forms of accounting.

It should not be necessary to emphasise that accounting has different social roles to play, and that these differences are due to the contrast between typical proliferations in capitalist societies and the peculiarities in LDCs. Although Burchell et al (1980) pioneered this type of accounting research, and Chang (2009) and Modell (2012) specified the direction needed - in terms of the political and regulative ramifications of NPM initiatives - this work is able to extend further, in order to capture the connection between the micro and the macro, in relation to the reshaping of cost accounting in a postcolonial state. This effort could germinate further research on 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 LDCs. Furthermore, the post-panoptic ideas, instigated in post-Foucauldian literature, could be deployed as metaphorical devices.

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