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Collective institutional entrepreneurship for the EPSAS programme: The missing link

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IMPACT

Three categories of institutional entrepreneurs are potentially capable of accomplishing multi-level accounting change processes, such as the issuing of European Public Sector Accounting Standards (EPSAS): the supranational, national and subnational. This article shows that, if the mediating role of national institutional entrepreneurs at the interface between supranational and subnational institutional entrepreneurs is limited, international accounting harmonization halts. The lessons in this article will be of particular value to accounting standard-setters and policy-makers in the field of public sector accounting.

ABSTRACT

This article explores how international accounting standards-setting processes unfold over time. By applying the theoretical lens of collective institutional entrepreneurship this article reveals the reasons for the delays emerging in the European Public Sector Accounting Standards (EPSAS) programme. With a focus on the Italian national and subnational contexts, the findings suggest that collaboration among different categories of institutional entrepreneurs is difficult to accomplish in a multi-level accounting change process when the capacity for action is limited.

KEYWORDS

Accounting harmonization; European accounting standards; EPSAS; institutional entrepreneurship; IPSAS; Italy; standard-setting

Introduction

The quest for international harmonization of public sector accounting (PSA) has grown considerably over the past two decades (Caperchione, 2015; Caruana et al., 2019). Financial markets, international organizations and multinational accounting firms are some of the stakeholders promoting reliable, transparent and comparable accounting rules for governments and other public entities (Brusca et al., 2018; Jorge et al., 2019; Walton, 2020). However, PSA harmonization is a complex endeavour because not all countries want to lose their power and autonomy in terms of public sector accounting standard-setting and may display resistance and reluctance (Oulasvirta, 2014; Baskerville & Grossi, 2019).

In 2013, the European Commission (EC) concluded that there was a strong need for harmonized accrual-based PSA systems in the member states and that the International Public Sector Accounting Standards (IPSAS) were a suitable reference framework for the future development of a set of European Public Sector Accounting Standards (EPSAS) (European Commission, 2013). The EPSAS programme was launched to produce specific PSA standards and promote accounting harmonization among member states in the EU (Eurostat, 2014). The goals of the EPSAS programme can be summarized as: to improve European macroeconomic surveillance; reinforce public sector financial management; and increase accountability by enhancing the transparency and comparability of accounting data across member states (Mussari, 2014; Dabbicco & Steccolini, 2020; Mattei et al., 2020).

The programme is led by Eurostat and follows a progressive approach consisting of two main phases: a first phase, originally to be concluded by 2020, entailing the

preparatory work for creating a transnational accounting standard-setting system for the public sector, and a second phase devoted to the implementation of the EPSAS by 2025 (Eurostat, 2017). However, Eurostat could not launch the second phase as planned due to various delays, including the Covid 19 pandemic (Sforza et al., 2023).

Despite the initial political endorsement and the efforts of engaged actors, the EPSAS programme has encountered difficulties and its final outcome remains uncertain (Aggestam-Pontoppidan & Brusca, 2016; Dabbicco & Steccolini, 2020; Mattei et al., 2020; Sforza et al., 2023). Such developments make the first phase of the EPSAS programme worth investigating to enrich our understanding of how PSA harmonization unfolds over time.

The literature has investigated the difficulties of PSA harmonization. Some contributions have focused on technical accounting aspects such as the recognition of accounting elements, measurement issues and the implementation of accruals (Calmel, 2014; Biondi, 2016; Biondi & Boisseau-Sierra, 2017; Dabbicco, 2018; Eulner & Waldbauer, 2022). Others have discussed the suitability of the IPSAS and International Financial Reporting Standards (IFRS) as a basis for developing the EPSAS (Oulasvirta, 2014; Brusca et al., 2018; Mann et al., 2019; Polzer & Reichard, 2020). Connections between the EPSAS and austerity and fiscal consolidation were explored by Heald and Hodges (2015) and Oulasvirta and Bailey (2016). In contrast, Caruana and Grima (2019), Dasí et al. (2016) and Jorge et al. (2016) discussed the functionality of the EPSAS for macroeconomic surveillance and statistical reporting. Potential effects in terms of better accountability and transparency were investigated by Jones and Caruana (2015), Caruana (2016), Manes Rossi et al. (2016), and Sforza and Cimini (2017). More

recently, Manes Rossi et al. (2021) investigated the minimal impact of academics on the development of the EPSAS.

Although relevant insights have emerged, little knowledge exists on how processes of PSA standard-setting develop across national and supranational levels over time (Djelic & Quack, 2008; Baskerville & Grossi, 2019). The study by Dabbicco and Steccolini (2020) is an exception. These scholars used a governance perspective to reveal that both technical and political legitimacy are key variables for creating the consensus and trust needed in accounting standard-setting processes that involve a plurality of actors.

The majority of EPSAS-related studies have a general focus without investigating specific government levels. Deeper analysis of the local government level would be beneficial (Sforza et al., 2023). The degree of accounting maturity of various levels (central/local) can vary and influences the possibility of adopting the EPSAS. In addition, while technical matters around the EPSAS seem solvable, political, historical and cultural differences require more efforts within accounting harmonization processes (Polzer & Reichard, 2020).

This article focuses on the first phase of the EPSAS programme, which concerns such preparatory work as the creation of a stable network of experts, the definition of a new accounting standards-setting system and preparation of technical studies for the possible content of those standards. The first phase should have been concluded by 2020. By considering the behaviours of the actors involved in the programme across the subnational, national and supranational levels of government, this article provides a deeper understanding of the hindrances to the definition and acceptance of a common set of accounting standards (i.e. the EPSAS).

This article is informed by the theoretical lens of institutional entrepreneurship, which claims that radical changes can be achieved through the efforts of institutional entrepreneurs (IEs) who actively engage in starting and sustaining change (Battilana, 2006; Battilana et al., 2009). IEs undertake strategic actions to pursue their goals (Fligstein, 1997; Maguire et al., 2004; Wijen & Ansari, 2007; Battilana et al., 2009). The theoretical framework developed in this article posits that, in order to achieve changes that cross national boundaries such as those envisaged by the EPSAS programme, four enabling conditions for a collective institutional entrepreneurship movement are needed.

The specific purpose is to explore how international accounting standards-setting processes unfold over time by empirically focusing on the EPSAS programme. Therefore, this article addresses the following research question:

What conditions of collective institutional entrepreneurship support international accounting standards-setting processes?

To explore the involvement of national and subnational levels of government in international accounting change processes, this article focuses on the Italian context. The potential action of a complex mix of national regulators—in addition to the historical necessity of PSA reforms (Manes Rossi, 2015)—and Italy's position in the sovereign debt crisis of 2011, combined with the relatively higher EPSAS implementation costs, make this country a good case for addressing our research question. Furthermore, Italy has displayed interest and engagement in the EPSAS programme, while simultaneously dealing with a deep programme of national PSA reforms.

The remainder of this article is structured as follows. The next section presents the theoretical framework, followed by a description of the empirical method used to conduct this study. The findings are subsequently presented by highlighting both the supranational and national contexts. A discussion and conclusions end the article.

Theoretical framework

International accounting harmonization is a process of progressive accounting convergence toward common standards that involves supranational and national actors bearing potentially divergent interests (Brusca et al., 2018; Walton, 2020). It is a process which entails transnational efforts because 'many connections go beyond state-to-state ... and [the process] points to the progressive structuring of spheres of action and interaction with an emergent identity' (Djelic & Quack, 2008, p. 300). Yet, the sedimentation of national beliefs, systems and practices tends to maintain accounting standard-setting systems within national borders—making international harmonization difficult (Oulasvirta, 2014; Baskerville & Grossi, 2019).

The international PSA scenario is dominated by the International Public Sector Accounting Standards Board (IPSASB): an independent international accounting standard-setter that is facilitated by the IFAC and other international organizations. The multinational accounting firms (the so-called 'Big 4'), thanks to their large share of the auditing and consulting market, can exercise pressure in the definition of standards at all levels. Since the 1970s, for the private sector, the EC has promulgated several directives for the progressive adoption of the IFRS among private firms, while PSA has mostly remained under the control of each state. As a result, the adoption of IPSAS, issued by the IPSASB, has been fragmented among European countries and PSA practice is still heterogeneous (Aggestam-Pontoppidan & Brusca, 2016).

The EPSAS programme was officially launched in January 2014 with the aim of accomplishing PSA harmonization in Europe (Makaronidis, 2019). However, the EPSAS programme has been experiencing substantial delays and difficulties (Mussari, 2014; Aggestam-Pontoppidan & Brusca, 2016; Jorge et al., 2019; Mattei et al., 2020; Sforza et al., 2023), making international accounting harmonization a challenging task. Potential tensions among actors can lead to an impasse in a change process and may compromise accounting harmonization in the public sector (Dabbicco & Steccolini, 2020).

To overcome status quo hindrances, especially in the early stages of a change process, the actions of IEs can be crucial. IEs are the 'actors who have an interest in particular institutional arrangements and who leverage resources to create new organizations or to transform existing ones' (Maguire et al., 2004, p. 657). IEs can act as a vehicle to promote the acceptance and adoption of a new practice (Battilana, 2006; Hyvönen et al., 2012; Argento et al., 2018). They can also play a prominent role in achieving complex international change, for which more than one IE is needed and a mix of actions and enabling conditions is required (Fligstein, 1997; Battilana, 2006; Wijen & Ansari, 2007). In international and complex contexts, such as that related to the EPSAS programme, it can be expected that various IEs need to be active at the intersection of the (sub)national

and supranational levels. Their ability to promote a collective movement of actors is important to reach the final goal of issuing a common set of accounting standards for the public sector of the EU member states.

To obtain the envisaged collective movement of institutional entrepreneurship, the involved IEs must share and agree upon the same targets. The strategies and actions of these IEs must be synchronized and replicated among different countries and levels within the EPSAS programme. The final outcome depends on the level of coordination, alignment and synchronization among the IEs' activities. Four enabling conditions are relevant to mobilize IEs and create the collective movement needed to achieve the challenging goals of the EPSAS programme.

The first condition relates to the *role legitimization* of IEs. IEs need to receive the power to take the lead, act and possibly influence other relevant actors in the accounting change process. Broad legitimacy of IEs is a significant condition to facilitate connections among stakeholders (Fligstein, 1997; Maguire et al., 2004). In the public sector, legitimacy is strongly linked to political commitment that attributes formal power and credibility to technical actors (Liguori & Steccolini, 2018).

The second condition concerns the *plan and actions* undertaken by the IEs. This condition refers to practical and organizational modalities through which the IEs plan to reach the goals of the EPSAS programme, including a specific timeline. An IE sets the agenda by considering the actors that must follow it, especially those who in the early stage are not showing support for the proposed change. When supranational, national and subnational levels are involved, IEs need to use appropriate incentives, timely information dissemination and empathy with divergent viewpoints to create a critical mass of consensus (Wijen & Ansari, 2007).

As the third condition, IEs must consider the problems and opportunities of their institutional field through *inclusion and networking*. IEs engage in networking and in the mobilization of other actors and IEs with the aim of including them in the accounting harmonization process. These activities require the IEs to be able to mediate while being aware of institutionalized accounting practices, cultures and beliefs (Dacin & Dacin, 2008).

As the final condition, by understanding the cultural norms and practical routines of a wide array of stakeholders (Maguire et al., 2004), IEs can use *delegation mechanisms* to create situations in which others are able to take the lead in the process thanks to their experience and mobilize additional isolated actors. In international accounting reforms, this condition implies the necessity for a supranational IE to delegate power to mobilize (sub)national actors.

Research method

This study employs a qualitative approach for investigating the emergent field (Lee, 1999) of the EPSAS programme, characterized by the interplay of IEs on various levels. To explore how international accounting standard-setting processes unfold over time in the government sector, a deeper understanding of IEs' actions on the supranational, national and subnational levels is desirable. Therefore, instead of limiting the field study to the supranational level (i.e. the aggregate EU level), this article focuses on the contribution of one country and its respective IEs, to the

EPSAS programme. The selected country is Italy, an early participant in the EPSAS programme and one of the countries with estimated high EPSAS implementation costs per inhabitant (Sforza et al., 2023).

The empirical material consists of both archival data and interviews covering the time frame 2013–2019. The archival data includes a wide range of documents. Specific laws and regulations, documents, letters, papers, reports, conference proceedings and speeches from the IPSASB, the IEs and Italian organizations engaged with PSA were collected by accessing websites and institutional open servers.

First, the main organizations and actors, including regulators, professionals, auditors and practitioners, were identified. Afterwards, interviewees were selected to obtain the maximum level of heterogeneity in terms of affiliation and type of organization and their role in the standard-setting system.

The interviewee selection criteria privileged the interviewees' interest in the EPSAS programme on the supranational, national and subnational levels. Between December 2016 and March 2018, 12 semi-structured interviews were conducted with 13 respondents (see Table 1).

Table 1. Details of interviewees.

Interviewee	Main affiliation	Duration (in minutes)
A and B	Italian Ministry of Finance	45
C	Italian National Court of Auditors	153
D	Italian Association of Municipalities	47
E	Big 4	51
F	Big 4	19
G	EPSAS Working Group	19
H	Italian Ministry of Finance	39
I	University/academia	46
J	Big 4	28
K	Software company	41
L	Italian Ministry of Finance	48
M	Italian National Statistics Office	59
Total = 13		595

The interview guide included the following themes: the role of the actors and their organizations in the international and national PSA context; activities carried out in the international accounting harmonization process; and networking activities in light of the EPSAS programme. The interview transcripts and selected documents were analysed by means of directed content analysis (Hsieh & Shannon, 2005).

The interpretation of the empirical material led to the identification of three categories of IEs:

- The supranational IE, which corresponds to the groups set up within Eurostat as the leader of the EPSAS programme.
- The intermediate IE, which is represented by the three Italian delegates in charge of assuring appropriate interactions between the supranational IE and national networks.
- A number of sectorial IEs (i.e. working groups and commissions) engaged in the subnational level and potentially influential for the success of the EPSAS programme (see Figure 1).

The following sections explain the behaviours of these three categories of IEs and their interactions within the

SUPRANATIONAL LEVEL

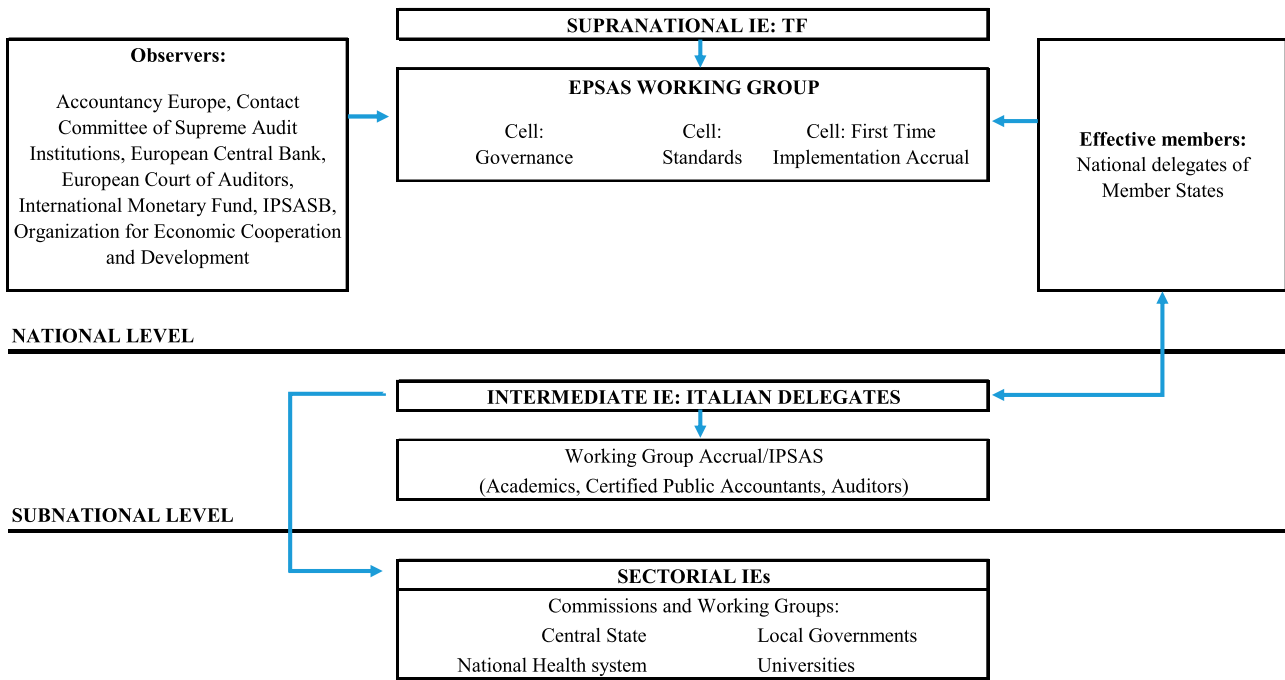


Figure 1. Institutional entrepreneurs in the first phase of the EPSAS programme: Levels and relationships.

Source: Authors' own elaboration.

EPSAS programme according to the four enabling conditions listed in the theoretical framework presented earlier.

In search of collective institutional entrepreneurship for the EPSAS programme

With Directive 85/2011/EU, the EC assumed an active role in the process of PSA harmonization in Europe and made a shift from being a user and/or advisor to becoming an active regulator in the field of PSA (Aggestam-Pontoppidan & Brusca, 2016). Eurostat has always been in charge of managing the EPSAS programme. The 'Task Force EPSAS' (TF) was created to steer the process via two task forces. The EPSAS Governance Task Force was established to exchange ideas with the authorities of the EU members on possible future governance arrangements and the underlying key principles of EPSAS. The EPSAS Standards Task Force, instead, was established to focus on technical aspects of the standards (<https://ec.europa.eu/eurostat/web/epsas/expert-groups>).

In 2015, the EPSAS Working Group (WG) was set up to build upon the work of the task forces and establish a more permanent forum for the development, introduction and operation of the EPSAS. To simplify the working procedures of the WG, three small expert groups, known as 'cells', were created. The WG was renamed the 'EPSAS Expert Group' in 2021 (<https://ec.europa.eu/eurostat/web/epsas/expert-groups>).

The TF, and subsequently the WG, can be viewed as the supranational IE with the mandate to promote the creation of a set of PSA standards for the EU member states and to define a model to govern the process. Each member state had the responsibility to contribute to achieving the goal of the EPSAS programme by appointing national IEs. Three officials of the Italian Ministry of Finance represent the country in the EPSAS programme; an intermediate IE was formed in 2014.

Italy's history of persistent heterogeneity among the accounting practices of different tiers of governments—i.e. among the central, regional, provincial and municipal levels—explains the country's engagement in the EPSAS programme (Manes Rossi, 2015). When the EPSAS programme was launched, Italy was undergoing a complex national accounting harmonization process involving each governmental level. Moreover, recently a project to set national accounting standards based on accruals (so-called ITAS) was launched as a part of the National Resilience and Recovery Plan after the pandemic. The need to comply with the EU requests in terms of reporting has pushed Italy to accelerate the promotion of accrual-based financial reporting rules for the whole public sector (Sforza et al., 2023).

These reforms have been co-ordinated by the General State Accounting Office (a special department of the Ministry of Finance that is the national regulator of PSA) and have entailed the creation of dedicated working groups and commissions operating at different subnational levels (focusing, for example, on the central state, national health system, local governments, and universities). These sectorial IEs can contribute to the goals of the EPSAS programme by supporting change in countries whose accounting culture is far from an IPSAS-based project as the EPSAS programme. Operating on the subnational level, sectorial IEs can provide technical feedback and promote the EPSAS programme to lower-level entities. These forms of support are success factors in the long term (see Figure 1).

The following discussion provides an analysis of the IEs involved in the EPSAS programme based on the four enabling conditions described in the theoretical framework.

Role legitimization

The role of the TF emerged during the conference titled 'Towards implementing European Public Sector Accounting

Standards', which was held in Brussels on 29–30 May 2013 (<https://ec.europa.eu/eurostat/web/epsas/communication#Conference>). The conference was attended by important stakeholders, including representatives of international organizations, professionals and national actors. A total of 218 individuals representing 115 international and national organizations involved in PSA attended the conference. This conference constituted the first step for legitimating the TF as the main supranational IE in front of all the PSA actors at the European level.

By their presence at the conference, the most important chairs of EU organizations emphasized the relevance of the process and the role of the TF. In particular, the words of Algirdas Šemeta (2013, p. 1), the EU Commissioner for Taxation, Customs, Statistics, Audit and Anti-Fraud, are significant:

I am looking forward to your discussions on a direction we can take on EPSAS standard-setting and governance, and on preparing for the implementation of EPSAS. It needs a realistic and detailed roadmap, setting out the medium-term plan for implementation of EPSAS across the MS. And this should be done as soon as possible via a Commission Communication to the Council and the Parliament. With their political support, the reform can have a greater impetus.

Originally, the TF was composed of a core group consisting of about 10 officials and public servants from Eurostat, which has the political and technical mandate to drive and organize the activities of the EPSAS programme, and by national working groups comprising three or four delegates appointed by each EU member state to join the activities of the core group.

The potential role of the Italian delegates within the EPSAS programme is to act as an intermediate IE at the interface of the supranational level (i.e. by participating in the work of the TF and WG) and the subnational level (i.e. by spreading the EPSAS programme in Italy). However, despite its formal appointment, this intermediate IE has never received any real political endorsement for its operation at the national level, as claimed by the delegates themselves:

We can stimulate the process towards international harmonization, but some limitations persist. The Ministry of Finance [has some] weight in the legislative phase of this matter but, without a wider political support, this is not enough. Without a strong political endorsement, it will be very difficult for international harmonization to occur. (Interviewee A.)

It was not only the political support at the national level that was weak from the beginning. At the supranational level, the initial political support from the EC and European Parliament to the TF showed its first signs of failure during the campaign for the European election in May 2014. Regarding that occasion, a member of the Italian Ministry of Finance noted:

There was a change of course and a slowdown of the programme. In between the election of the new Members of European Parliament in May 2014, there was a long break. Just before the election, the power of the Commission was weak and, after the election, the new one waited some months, almost a year, to give support and legitimate the works of the TF. The impasse was clear. (Interviewee B.)

This climate of political uncertainty has progressively increased, eroding the attention paid to the efforts of the TF by European institutions and, indirectly, hindering the TF from pursuing its goal and fulfilling its scheduled plans and actions. The European political commitment appeared to be

appropriate in the beginning, when the EPSAS programme was launched, but weakened over time. The complexity of the change process required stronger efforts to enable the actions of IEs on both the supranational and national levels. This weakening of political support may explain why the intermediate IE did not have the legitimacy to interfere with the activities of the sectorial IEs that were engaged in accounting changes on the subnational level.

Plans and actions

In the conference held in Brussels in 2013, the TF presented its plan, consisting of three stages, to fulfil the goals of the EPSAS programme by 2020. However, the supranational IE's weak role legitimization and different point of views among member states led to some delays. Consequently, in 2015, the supranational IE reset the agenda and established a plan consisting of two phases. The first phase was devoted to defining the model of governance and evaluate the possible technical solutions for the EPSAS. It should have been completed in 2020 but it was delayed. The second phase (originally planned to be completed by 2025) corresponds to the enactment of the new standards and their progressive adoption in European member states. The WG was established in September 2015 and as noted by one of its members:

The transition from phase 1 to 2 will not be automatic. At the end of phase 1, we will have to provide the Parliament and Council with a legislative proposal to lead the EPSAS implementation and with an assessment of its impact. (Interviewee G.)

This important moment of co-ordination at the supranational level has not taken place yet due to the phase 1 delays.

From an organizational perspective, the establishment of the WG represented the creation of a valid 'discussion platform' for key actors at the supranational and national levels. Discussions within the WG have focused on technical and governance aspects associated with EPSAS development and implementation. The collaboration with the member states has led to progress with the drafting of the EPSAS Conceptual Framework (European Commission, 2019). The WG was supported by three special EPSAS cells of country experts with specific tasks, i.e. governance principles, first time implementation and principles related to EPSAS standards. Member states' participation in the EPSAS cells was voluntary and each country was free to decide which cells to join. The Italian delegates joined two of the cells—governance and standards.

As part of its actions to report and provide updates from 2014 to 2019, the supranational WG organized eight meetings, which were either held in Brussels or voluntarily hosted by countries. At these meetings, the so-called 'issue papers' (i.e. working papers on macro-items of the financial statements drafted with the technical support of the Big 4 accounting firms) were presented and discussed. The issue papers usually compared national and international practices and summarized options and choices for key PSA issues.

The Italian delegates (i.e. the intermediate IE) were involved in the activities of the WG. In addition, Italy hosted the WG meeting in Rome at the premises of the Ministry of Finance in November 2016. On that occasion, other conferences were also organized to engage more national actors and emphasize the importance of the WG meetings.

In the context of the organization of the EPSAS programme, the three Italian delegates were positioned at the interface between the supranational IE and the sectorial IEs, i.e. the dedicated commissions and working groups implementing the Italian national reform which started in 2009.

The Italian delegates (i.e. the intermediate IE) facilitated the creation of a supplementary national working group, called the Working Group Accrual/IPSAS, which was composed of highly skilled members. The creation of this group was believed to be necessary to overcome a lack of competence inside the Ministry of Finance and to include specific experts who could carry out the activities on the EPSAS programme. According to a member of the Italian Ministry of Finance:

We cannot discuss this matter with statisticians and others with education in law or administrative sciences. We need to talk to accountants that are experts of PSA; otherwise, we create a mess with the tangible risk of giving the power to solve these issues to persons who are not adequate, that could also ... create financial damage for the state expenditure... To make these kinds of processes, we need capabilities and professionals. (Interviewee A.)

Attempting to replicate the working modality of the supranational IE, the Italian delegates commissioned the Working Group Accrual/IPSAS to determine the status quo of PSA and formulate recommendations for harmonization in Italy without having any power in terms of standard-setting. This delegation had the benefit of giving higher legitimation to the Italian delegates within the national PSA network, as noted by one member of the Italian Ministry of Finance:

The study commissioned to academic scholars ... to give authority to the process. The study points out things that we knew, but it strengthens our position, a legitimation that the Ministry of Finance did not own. (Interviewee A.)

In addition, the Italian delegates organized open workshops and conferences to attract the interest of national public officials. These events began in 2014 and progressively focused on the EPSAS programme. This action was a first step toward the communication of the outputs that were being progressively produced by the supranational IE.

Inclusion and networking

To reach a collective movement, the IEs needed to mobilize the actors involved in the EPSAS programme through specific inclusion and networking activities. On the supranational level, the WG included 'effective members', comprising a variable number of delegates from the 28 member states, and 'permanent observers', who contributed with their competences to the EPSAS programme.

According to a Big 4 firm employee:

This exchange of international developments and national perspectives is going on. There are a number of platforms where national actors can interact and mutually exchange ideas and experiences—some countries are already implementing IPSAS. (Interviewee J.)

The main difficulty faced by the supranational IE and the intermediate IE has been engaging national actors. The TF and the WG promoted public consultations to stimulate effective participation. The first consultation focused on

collecting opinions about the suitability of IPSAS for PSA systems, even though the real role of IPSAS in the process was still unclear. The second consultation involved the definition of principles for the future EPSAS organizational structure. The value of such initiatives was somewhat questionable; some scholars criticized the actual strength of these consultations because they had few results in terms of participation (for example Caperchione, 2015). To reinforce the mobilization of countries in the process, in 2014 and 2017 the EC also provided financial support to member states for carrying out preparatory works to shift their systems toward accrual accounting (Makaronidis, 2019).

In short, efforts—especially at the supranational level—to include a good number of high-level stakeholders in the EPSAS programme works were recognizable. This level of inclusion and its modalities, which consisted of periodic meetings, led to a formal participation. However, observers and national delegates pointed out difficulties in contributing to discussions, due to the strict timing of agendas and the organization of the sessions.

At the national level, the Working Group Accrual/IPSAS included professionals and experts in PSA including academics, technical advisors of IPSAS and representatives of the Italian association of certified public accountants. Representatives from all governmental levels were not always included (especially representatives of local governments). Many other key actors were excluded (for example members of software companies, auditors, representatives of the association of municipalities and of the Italian National Court of Auditors—the Corte dei Conti), even though such actors were more involved in the daily activities of account preparers. Only soft reactions of dispersed IEs could be detected. On 20 March 2019, the ARCONET Commission, which was involved in accounting harmonization at the local level in Italy, became aware of the potential impact of the EPSAS and launched a programme to compare their standards with the EPSAS works.

The lack of participation by or inclusion of accounting practitioners and professionals in the standard-setting activities was recalled by one member of the Corte dei Conti:

With reference to networking, with no doubt, a major effort to promote better collaboration is needed. Also, within the Ministry of Finance, they are acquiring consciousness of the problem. In fact, until today, the commissions that are driving the national reform have worked on their own, without thinking about the experience of IPSAS. Now, we will try to work together with the new commissions. Our wish is that the Ministry of Finance will contact us to avoid problems during the auditing phase. (Interviewee C.)

As mentioned above, Italy started harmonizing accounting at the local level before the EPSAS programme was launched and this could represent a good point of reference for the EPSAS process. As noted by an academic involved in the project:

It makes no sense to start an international accounting harmonization project without linking it to the local government accounting reform. The impression is that the two reforms are somewhat separate from each other. (Interviewee I.)

In this regard, a member of the Ministry of Finance pointed out that:

The point of strength of the accounting harmonization of Italian local government was the fact that we immediately worked as a

group, involving all the actors engaged in operationalizing the reform. (Interviewee L.)

In brief, greater inclusion and co-ordination in the EPSAS programme at the national level is needed as stressed by another member of the Ministry of Finance:

Inclusion and experimentation were the guidelines of the local government accounting reform. This experience should be taken as a point of reference at the European level. (Interviewee H.)

Delegation mechanisms

The organization of the WG was designed to give intermediate IEs the ability to be the branches of the supranational IE in their national contexts. The goal of the intermediate IEs was to promote and stimulate the debate at the national level, thereby representing the link connecting the supranational level to their respective (sub)national context.

Despite these good intentions, the findings do not reveal any evidence of delegation of tasks. The absence of substantial delegation mechanisms probably—albeit indirectly—limited the actions of the intermediate IEs and the penetration of EPSAS matters within national standard-setting. Even though each country was represented by at least three delegates, the role of these representatives was predominantly to act as listeners, rather than to be influencers or to receive specific tasks to execute in their respective national and subnational networks. They lacked the power to act. Significantly, a Big 4 employee stated:

After the launch of the EPSAS project, working groups were set up at European and national levels. My impression is that each country commissioned a study in its own home to evaluate the impact of the project and understand if and under what conditions it would be convenient. This fragmented the whole and, at the European level, there was a reluctance to see power at the national level. (Interviewee F.)

At the Italian level, an interviewee revealed:

The common sentiment among officers appointed in the General State Accounting Office is that, in Italy, in the light of the current conditions, the application of EPSAS can only be possible thanks to a strong impetus from the European central bodies. (Interview E.)

Showing that the progress of the EPSAS programme rests with the supranational IE.

Discussion: The missing link

Based on the definition of the IE proposed by Maguire et al. (2004) and Battilana (2006), this article identified and investigated three categories of IEs whose interplay and actions relate to the partial success of the EPSAS programme so far.

The TF and the WG can be acknowledged as a supranational IE with the main task of co-ordinating and mobilizing the other relevant IEs and actors at the national level. As an example of an intermediate IE, the three Italian delegates operate on the national level as a link between the supranational and subnational levels. The last category of IEs refers to 'sectorial IEs', which are working groups and commissions with authoritative and professional power in a specific and limited area of subnational PSA (i.e. local governments, universities or healthcare systems). These subnational IEs are important to assure the implementation

of new international accounting standards at the national level and the success of the programme in the long term.

To achieve change in international and complex contexts, such as the harmonization of PSA in Europe, the engagement of a number of IEs at different levels is needed (see Battilana, 2006; Wijen & Ansari, 2007; Hyvönen et al., 2012; Argento et al., 2018). Regarding the collective movement of IEs striving to achieve the same goal (i.e. the creation and implementation of the EPSAS), this study identified a hierarchy and classification of IEs with different roles, positions and interactions (see Figure 1). To make the EPSAS programme successful, alignment and synchronization among the identified IEs is desirable (Maguire et al., 2004). Yet our findings highlighted a missing link, which can be explained by the non-fulfillment of the four enabling conditions included in the theoretical framework.

Role legitimation of IEs is the precondition for the IEs' ability to act (Fligstein, 1997; Maguire et al., 2004). In the case of the supranational IE (i.e. the TF and WG), political support was fluctuating and this instability affected the speed of its activities. At the national level, political support for the intermediate IE (i.e. the Italian delegates) was partial and overlapped somewhat with the legitimacy given to the sectorial IEs in charge of specific sectors on the subnational level (i.e. local governments, universities and healthcare systems). This means that the intermediate IE lacked sufficient power to act.

Regarding *plans and actions*, significant efforts were made by the supranational and the intermediate IEs to define the EPSAS programme governance system and the possible contents of the accounting standards. The supranational IE implemented a detailed study phase to analyse the accounting rules and practices of different countries in order to establish a common basis for developing an EPSAS proposal. Similarly, at the national level, the intermediate IE focused on determining the state of the art to formulate a plan of action that was consistent with the EPSAS programme. However, over time, a lack of synchronization and alignment between the intermediate IE and the sectorial IEs emerged. To be specific, the subnational agendas of the different sectorial IEs were not synchronized with the activities scheduled for promoting the EPSAS programme at both the national and supranational levels. The co-ordination between the supranational agenda and the national one was eroded by a lack of connection with sectorial IEs.

From the *inclusion and networking* point of view, the intermediate IE could not effectively replicate the work modalities of the supranational IE. The intermediate IE stimulated the creation of the national Working Group Accrual/IPSAS to involve representatives from the national standard-setting context—especially representatives of academia, which is a stakeholder that is only weakly connected to the supranational IE. At the same time, however, the intermediate IE seemed to prefer the participation of accounting professionals and experts in its activities at the national level, instead of representatives of lower tiers of government and users and preparers of accounting data and financial statements. This choice was a significant weakness. The various commissions and working groups engaged in the national accounting harmonization process were not sufficiently involved in the EPSAS

activities, in part because no rules or obligations were imposed, but also because no empowerment was given by the supranational IE.

This reflection is connected to the absence of *delegation mechanisms*. The analysis revealed that no formal mechanisms of delegation of activities and/or recommendations to better involve national actors were used. Due to this weakness, even if IEs try to network and include other IEs and relevant actors in a collective movement of institutional entrepreneurship, an international accounting change process can still be hindered when responsibilities and tasks are not officially delegated along with accounting obligations.

Borders between various IEs, due to their institutional contexts and networks, persist and limit the creation of a collective movement. Although it has been reported in the literature that interactions among IEs can develop quite spontaneously, resulting in a collective movement (Fligstein, 1997; Maguire et al., 2004; Wijen & Ansari, 2007), this study suggests that inclusion and networking, as well as delegation and empowerment mechanisms, need to be co-ordinated across levels. The plans and activities of supranational IEs might not work in practice if the operation of the IEs at the intermediate (i.e. national) and subnational levels follow other plans and agendas. Each country may have its own PSA reform agenda, whose goals and timing might not be well aligned with those of the supranational IE.

A critical issue is whether the international PSA change process should be arranged top-down (i.e. from the supranational level to the subnational level) or bottom-up (i.e. from the subnational level to the supranational level). This article clearly shows that the top-down approach used in the EPSAS programme could not be fully enforced due to a misalignment with bottom-up initiatives, stemming from the national context, that took their own direction. Once again, the role of the intermediate IEs is vital in facilitating the alignment of goals and actions within a multi-level accounting change.

The existence of diverse national agendas in Italy has resulted in various effects in different directions, while EPSAS-related matters have remained secondary or have been ignored. In Italy, different areas of the public sector are used to working separately, resulting in a tendency to ignore activities that they perceive as being outside of their specific domain. In sum, to date, the needed synchronization of targets and actions has been weak due to a missing link between the supranational and (sub)national levels. The supranational IE did not consider how the EPSAS programme was being managed at the national level, and thus shifted an indirect—yet considerable—responsibility to the intermediate IE. For this reason, the role of the intermediate IE, which showed a clear tendency to replicate the behaviours of the supranational IE, might need to be reconsidered in order for it to act as a real change agent. Despite the potentially relevant role of the intermediate IE, the findings revealed a missing link between the supranational IE and the sectorial IEs. The intermediate IE did not receive neither formal nor informal delegation of power. This lack of power limited the effectiveness of the intermediate IE's action and its ability to mediate and engage the sectorial IEs. This claimed for a major degree of engagement also in the light of their role

in the national accounting harmonization process previously promoted. The overall result was a weak collective movement of IEs.

Conclusions

This article contributes to the PSA literature by providing additional insights into the reasons that hinder PSA harmonization in Europe (Calmel, 2014; Caruana et al., 2019; Jorge et al., 2019; Eulner & Waldbauer, 2022). More specifically, this article has shown how international accounting standard-setting processes in the government sector unfold over time by focusing on the first phase of the EPSAS programme. Our study has enriched previous findings (for example Brusca et al., 2018; Dabbicco & Steccolini, 2020; Mattei et al., 2020; Sforza et al., 2023) by providing a deeper understanding of the reasons why a weak collective movement of IEs (for example Wijen & Ansari, 2007) is recognizable in the EPSAS programme and inhibits the desired change.

Like any study, this article has some limitations. The specific focus on the Italian case, as an example of how the EPSAS programme may or may not work in practice, does not allow for a generalization of the findings. Further research on more countries' EPSAS programme journey is urgently needed.

In answer to our research question, which asked what conditions of collective institutional entrepreneurship support international accounting standards-setting processes, this article shows how the lack of power and legitimacy, rules of inclusion, networking and delegation mechanisms resulted in a weak mobilization of IEs at the (sub)national level, especially among those that are most distant from the supranational IE. This result partially contrasts with other cases reported in the literature, in which an effective interaction among IEs developed quite spontaneously (Wijen & Ansari, 2007; Maguire et al., 2004).

The case of Italy is an illustration of how the lack of collective actions and, in turn, the presence of dispersed change processes can relate to the halt of the development of international accounting standards. Through the lens of institutional entrepreneurship this article shows how the lack of power and delegation mechanisms results in institutional entrepreneurship becoming dispersed on various governmental levels. Our findings also highlight the need to involve the users and preparers of accounting data and financial statements.

We have shown that complex processes involving multiple tiers of IEs need constant political support throughout the entire process rather than intermittently. Political action in PSA provides a specific boost in times of reform (Liguori & Steccolini, 2018; Walton, 2020), whereas the findings show how a 'soft' political endorsement at both the supranational and national levels weakens the role and power of IEs. More detailed 'terms of engagement' defined by the intermediate IE and the national governments for the subnational IEs could stimulate the creation of a collective movement. In this sense, beside formal delegation mechanisms, voluntary and empowering mechanisms can be important.

This article extends the findings of Dabbicco and Steccolini (2020), which claim that the EPSAS programme requires the major support of democratic political bodies at both the national and international levels, due to its complexity. This

study shows how higher legitimation should have been given to the intermediate IE enabling it to start an update of national PSA reforms by avoiding potential deviations from the EPSAS-based international harmonization process and limiting the risk of new national PSA reforms driven by subnational IEs.

Finally, this article contributes to the theory of institutional entrepreneurship (Battilana et al., 2009; Maguire et al., 2004) by defining different typologies of IEs involved in complex arenas of PSA change. More specifically, this study emphasizes the role of actors at the interface of different levels. The intermediate IE was found to play a determining role in international PSA changes but certain enabling conditions need to be fulfilled for collective institutional entrepreneurship to occur.

The lessons in this article are of particular value to accounting standard-setters and policy-makers in the field of PSA. If the mediating role of national institutional entrepreneurs at the interface between supranational and subnational institutional entrepreneurs is limited, international accounting harmonization halts. Standard-setters and policy-makers should reflect on how to facilitate the work of the IEs involved in the change process, specifically in terms of legitimization, time-plans and actions, inclusion and networking, and delegation mechanisms.

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