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Accounting for community building: the municipal amalgamation of Milan in 1873–1876

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ABSTRACT

This study analyses the accounting change that occurred as a consequence of the amalgamation of the municipalities of Milan and Corpi Santi in the years 1873–1876 and sheds light on the role played therein by accounting information. To explain the process of accounting change, the study adopts institutional theory, in particular, coercive isomorphism and the processual approach of Dawson. While coercive isomorphism shaped the process of municipal amalgamation, innovation in accounting practices also took place, greatly contributing to building the sense making of the new community. The accounting innovation consisted in the use of cost accounting logic to allocate revenues and expenditures between the two municipalities that in the end favoured the amalgamation and overcame the mandatory separation of published accounts. The study presents evidence that leading elected councillors and the chief accountant bolstered the process of accounting innovation. Apart from external organisational pressures posited by institutional theory, we suggest that, to explain accounting change within organisations, more emphasis should be given to the role played by individuals and contrasting interests during the institutionalisation process.

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Municipal amalgamation; accounting change; institutional theory; cost accounting; financial reporting; community building

Introduction

In 1873, the Municipality of Milan was given permission by Vittorio Emanuele II, the King of Italy, to annex the neighbouring Municipality of Corpi Santi (literally ‘Holy Bodies’) to enlarge its area and improve the viability of the suburb. A law enacted by the central government (Law for the administrative unification of the Kingdom of Italy, No. 2248 of 28 March 1865) enabled the amalgamation. This study analyses the organisational and accounting change associated with this amalgamation and sheds light on the role played by accounting information in the context of boundary changes in municipalities. The topic of municipal amalgamation to date has been neglected in historical research, with a few notable exceptions (Bergevarn and Olson 1989, on local government; Arnold 1991, on health care). This deficiency stands in contrast to the significant role that municipalities have played in shaping the life of local communities in Europe.

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Accounting change in organisations has been investigated from different research perspectives in an attempt to identify the explanatory factors and effects on the behaviour of the organisation. In particular, institutional theory (Di Maggio and Powell 1983; Powell and DiMaggio 1991; Carpenter and Feroz 2001) has provided a helpful lens through which to view accounting change in the public sector (Carpenter and Feroz 2001). According to institutional theory, accounting change occurs because of the institutional pressures (for change) facing organisations as a means for them to obtain increased legitimacy, resources and survival capabilities (Scott 1987). In the present study, the institutional pressures are represented by the legislation that required the amalgamation of the two municipalities, while maintaining mandatory separation of their published accounts. As a result, the net effect of institutional pressures is the process of homogenisation of organisational and accounting behaviours, that is isomorphism (Di Maggio and Powell 1983, 149). As postulated by Carpenter and Feroz (2001, 566), ‘when state governments dictate accounting practices in their constitutions and/or statutes, they are imprinting such practices as the only acceptable methods, and by that excluding consideration of other, alternative methods of accounting’. In this respect, the process of coercive homogenisation of accounting rules imposed by the central government stands in contrast to opportunities for innovation at the local level (Oliver 1992; Scott 2001, 181), and we could expect that coercive isomorphism constrains the adoption of new accounting rules and routines. Yet, as pointed out by Burns and Scapens (2000, 22), change in accounting also has to be understood in terms of the behaviour of individuals within the organisation in response to their accounting information needs (Coombs and Edwards 1995). Thus, organisational behaviours will be shaped by institutional pressures, but accounting practices are themselves the outcome of the actions of individual members of the organisation and their social and historical environment (Potter 2005; Walker 2015).

In this study, we show how a coercive discontinuity in organisational boundaries was associated with the mobilisation of accounting for the purposes of building a united community by improving mutual trust among political decision makers and public accountability. To this end, institutional theory has the potential to provide a useful theoretical lens for investigating accounting change bolstered by pressures following a regulatory requirement. We contribute to the extant literature on institutionalism by providing evidence that innovation also occurs under coercive isomorphic change and that this process is explained by the role played by individuals in the institutionalisation process (Núñez 2002; Ryan, Scapens, and Theobald 2002; Sargiacomo 2008; Hiebl, Quinn, and Martínez Franco 2015). This research also contributes to the study of accounting as social practice (Burchell et al. 1980; Hopwood 1987; Carmona, Ezzamel, and Gutiérrez 1998), particularly the use of cost accounting techniques (Carmona and Donoso 2004; Dobie 2011).

Our study is organised as follows. The next section summarises the theoretical framework and research methods. We then illustrate the innovation that occurred in the provision of accounting information by the Municipality of Milan to support the amalgamation, in the period 1873–1876. In the final section, we discuss our findings and offer concluding comments.

Theoretical framework and research methods

An important body of literature has highlighted the various ways and forms in which changes to accounting practices occur within organisations and in society (McWatters 1995; Robson 2007). While this research has increased our understanding of accounting as social practice

rather than a mere technical solution (Hopwood and Miller 1994), the organisational and the societal domains frequently have been investigated separately. Much remains to be learned about the mechanisms through which accounting change that occurs within organisational spaces has the potential to 're-constitute social space' (Neu 2006, 302).

To examine the process of accounting change, our theoretical framework draws primarily on institutional theory (Di Maggio and Powell 1983) to enhance our understanding of the extra-organisational factors influencing management accounting change (Alsharari, Dixon, and El-Azi Youssef 2015). Yet, accounting change is also influenced by intra-organisational factors, such as internal culture, power and politics (Buchanan 1997; Quattrone and Hopper 2001), and both factor types allow a better understanding of what happens during the process of change (Burns and Scapens 2000; Scapens 2006; Collier 2012; Quinn and Jackson 2014). In particular, Burns and Scapens (2000) add that management accounting practices in organisations play the same role of formal rules and norms and so can provide insightful knowledge about the origins of institutional transformation (Gervais and Quinn 2016; Quinn and Gibney 2018). They emphasise that institutionalised change in management accounting systems involves a certain amount of transformation of existing accounting practices and culture, thus originating new behaviours within the organisation. Moreover, the analysis of accounting change requires a conceptualisation of the ways in which new accounting practices evolve over time (Nelson and Winter 1982). To this end, we draw upon the processual approach of Dawson (2003, 2005, 2013, 2014) to better analyse the process of institutionalisation of accounting practices and the expectations before and after the change event.

Dawson develops his framework around three inter-related factors to be considered in the process of change: internal context, political activity and the substance of change. These three factors overlap and intertwine over time as individuals and groups make and give sense to processes of organisational change. The internal context is concerned with people, technology, history and culture, and other contextual elements such as social and political events, legislative change. Political activity within organisations concerns collaboration and conflicts within and between individuals and groups, as well as external processes developed through strategic alliances and political lobbying. The substance of change includes the analysis of content, scale and scope of change (Dawson 2003, 65). The processual approach is parallel to the process of institutionalisation. Both seek to interpret the processes of accounting change in a specific organisational setting (Burns and Scapens 2000).

According to institutional theory, the net effect of institutional pressures is the increase in the homogeneity of organisational structures in an institutional environment. As Di Maggio and Powell (1983, 149) note, 'The concept that best captures the process of homogenisation is isomorphism'. Isomorphism is a constraining process that forces one unit in a population to resemble other units facing the same set of environmental conditions. Di Maggio and Powell (1983, 150) further note that institutional isomorphic change occurs via three mechanisms: (1) coercive isomorphism that stems from political influence and the problem of legitimacy; (2) mimetic isomorphism resulting from standard responses to uncertainty; and (3) normative isomorphism, associated with professionalisation' (Di Maggio and Powell 1983, 150; Carmona and Macias 2001, 143). For our analysis, the use of coercive isomorphism is more fitting as it results from both formal and informal pressures exerted on organisations by other organisations upon which they are dependent. Furthermore, the search for legitimacy is one of the main issues of coercive isomorphism, and accounting, as a calculative technology, acts as practice and/or vocabulary (Oakes,

Townley, and Cooper 1998) which contributes to improved economic performance and generates organisational visibility (Meyer and Rowan 1977; Burchell et al. 1980; Carpenter and Feroz 1992, 2001; Núñez 2002, 275). Accounting has also been considered one of the multiple forces involved in the process of organisational change (Hopwood 1983, 1987; Dirsmith 1986; Carmona and Macias 2001, 145; Núñez 2002, 280), and ‘changed accounting practices can also re-constitute social space by introducing new ways of thinking about and talking about the social world’ (Neu 2006, 395).

Within this perspective, internal routines and rules react to externally-driven change while emerging with new institutionalisation in the organisation (Tsamenyi, Cullen, and Gonzales 2006; Quinn and Jackson 2014). Burns and Scapens (2000) have pointed out that the power of individuals can be used to introduce or resist new organisational and accounting rules. In terms of the process of institutionalisation, in the first stage, ‘power can be seen in the enacting of rules and routines, when certain powerful members of the organisation use their control over key resources to introduce new management accounting systems’ (Burns and Scapens 2000, 23). At the second stage, power plays a role in the re-enacting and reproduction of rules and routines in order to preserve the vested interests of actors. Finally, power is entailed in the institutionalisation of rules as a new way of thinking. Burns and Scapens have defined these three stages as dynamic stages of encoding, promulgating and reproducing new accounting rules and routines.

Based on these propositions, we have adopted the approach of institutional theory to interpret organisational and accounting change following a coercive external pressure and to explain the key features of the change process. More precisely, to interpret the empirical data of the case, Dawson’s (2003) processual approach to organisational change has been combined with Burns and Scapens’ (2000) framework to analyse the institutionalisation of new accounting rules and routines in the organisational setting.

Research methods

The focus of this research is the amalgamation of Milan and Corpi Santi. Consistent with Dawson (2005, 386), we intend ‘to demonstrate both the importance of substance to understanding processes of organisational change, and to illustrate how the technical elements cannot simply be separated, identified and examined as discrete elements of change’. We base our analysis on archival records from the Municipality of Milan’s public archive and indirect sources detailed in the references. Original sources include:

- legislation, and in particular Emperor Napoleon’s Decree of 14 July 1807, the Law for the administrative unification of the Kingdom of Italy No. 2248 of 28 March 1865, the Parliamentary Decree of 18 August 1870 and the Decree of amalgamation of 1 October 1873; and
- the Municipality of Milan’s historical archive. In our study, we analysed in particular the reports of council meetings for the Municipality of Milan for the period 1870–1888, and the annual budgets and financial reports of the two municipalities, before and after the amalgamation for the period 1870–1888. We translated selected quotations in the council reports from Italian to English. In some instances, the original wording has been summarised during translation to reduce length and to provide the reader with the original meaning. However, we are aware that we may have lost or compromised some elements through our translation.

To develop a greater understanding of the external context, we have supplemented primary sources with a review of pertinent secondary sources.

Once collected, we analysed the data following a three-step protocol. First, we distinguished between the influencing factors related to the broader context and those related to internal organisational and accounting issues, including the political position publicly held by elected councillors during the amalgamation process. Second, we re-ordered and categorised the data according to different time periods and the events that occurred, the annual budgetary and financial reports of the municipality, the actors involved and the accounting and control system. Third, we examined the influence and interaction among the different factors over time (Dawson 2003) to provide an interpretation of accounting change. Each researcher conducted each step independently, and then we jointly compared and interpreted our findings. The triangulation through multiple data sources and researchers helped us to explore the variety and complexity of our setting, enabling us to obtain various perspectives on the organisational and accounting changes that resulted from the amalgamation.

The amalgamation of Milan and Corpi Santi

The context for the accounting change

The amalgamation of the municipalities of Milan and Corpi Santi is a case of local government decentralisation and recentralisation over the centuries. Emperor Joseph II of Habsburg-Lorraine established the Municipality of Corpi Santi as an autonomous public entity in 1781. The jurisdiction of Corpi Santi resembled a ring of about two miles and included the rural area outside the sixteenth-century Spanish walls of the old city of Milan, characterised by gardens, farmsteads, and later by small villages and factories (see Figure 1).

The land in this area belonged mainly to religious organisations and noble families living within the city walls. The Municipality of Corpi Santi was again annexed to Milan in 1808 as a consequence of Emperor Napoleon's 14 July 1807 Decree, aiming to reduce the number of municipalities in the new Kingdom of Italy to achieve efficiencies and thereby finance his military expenditures. However, Corpi Santi once again became an autonomous municipality in 1816 as a consequence of the new territorial division established by the Austrian government, which aimed at reducing the importance of Milan by introducing a rival system of self-administration (Mocarelli 2015, 138). The origin of the name Corpi Santi is uncertain, but it probably recalls the practice of early Christians of interring the bodies of martyrs outside but close to the city walls, so that it could mean 'the field where the holy bodies lie' (Giulini 1854, 657).

During the first years of the nineteenth century, Corpi Santi grew at a much faster rate than Milan: from approximately 16,000 inhabitants in its first years up to 28,635 in 1834 and 46,348 in 1861.¹ This trend was followed by the growth of industrial activities, which also benefitted from the suburb's privileged tax arrangements.

The legislation allowed municipalities to set their own rates for the government duty on goods, indeed fiscal policy differed between the two municipalities. The Municipality of Milan imposed additional local duties ranging from 30 per cent to 43 per cent on the goods coming in and out the city walls (e.g. food, fuel, fodder, building materials and others). Milan's walls had 16 entrances, each with a customs house attached (Figure 2).

I confini del Comune di Milano
dopo l'aggregazione
dei Corpi Santi (8 giugno 1873).

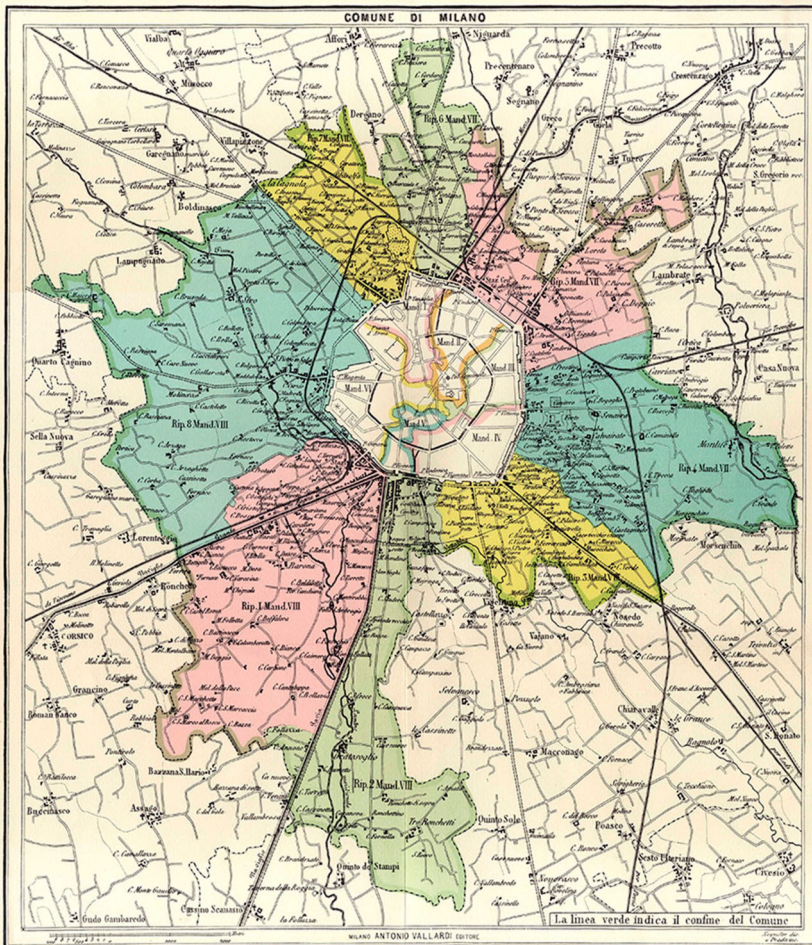


Figure 1. The jurisdictions of the municipalities of Milan and Corpi Santi in 1873.

Source: Civiche Raccolte Grafiche e Fotografiche del Comune di Milano [Municipality of Milan, Historical Photographs and Prints Collections], 1931.

Note: The Municipality of Milan jurisdiction is at the centre, in light, the Corpi Santi is the coloured area.

Within the jurisdiction of Corpi Santi, local duties were much lower than in Milan (e.g. wine, poultry, flour, as well as fuel and construction materials were not taxed) and applied only to the sale of goods. Additionally, income tax (*tassa personale*) was much lower in the external jurisdiction (Mocarelli 2006). Therefore, Corpi Santi soon became the ‘free port’ of Milan and a large warehouse of goods. The Municipality of Corpi Santi, which, curiously, had its headquarters within the walled city of Milan, was run by a mayor, an executive cabinet of six aldermen and a council of 40 members, several of whom lived in Milan. Additionally, it had a national guard composed of a legion of two battalions.

Immediately after Italian Unification in 1861, the Municipality of Milan made several unsuccessful attempts to annex Corpi Santi. Milan’s politicians claimed the annexation



Figure 2. Paint of Porta Comasina gateway in Milan, 1835–1838.

Source: Civiche Raccolte Grafiche e Fotografiche del Comune di Milano [Municipality of Milan, Historical Photographs and Prints Collections], 1931.

due to the fiscal advantage of residents of the suburb (e.g. people running businesses or working in Milan) who benefitted from the main city services without bearing the fiscal burden. The representatives of Corpi Santi, in turn, had opposite interests in maintaining their fiscal privileges. They ran an intense media campaign against the proposal of aggregation arguing that Milan's real reason behind the plan was to spread the fiscal burden of the growing city (Mocarelli 2015, 139).

The amalgamation project attracted new interest in 1871. New legislation (Parliamentary Decree of 18 August 1870) allowed municipal amalgamation without the full agreement of interested entities. The mandatory amalgamation of municipalities took place after Italian unification because several jurisdictions were characterised by mismanagement and corruption. Governing officials in pre-unification municipalities had used public money to further their political ends, and public services were disorganised or non-existent. To improve the situation, it was necessary to limit the number of municipalities and improve the management of services.²

The annexation of Corpi Santi to the jurisdiction of Milan was declared by King Vittorio Emanuele on 8 June 1873, despite the dissenting vote of the council of Corpi Santi. The political interest for this annexation was quite different from that of past amalgamations. Milan's middle class was aware that the autonomy of Corpi Santi had become an obstacle to effective planning of the territorial development of the city because, over the last decade, a growing number of essential infrastructures (e.g. railway stations, cemeteries, gasometers) serving the main city were located outside the city walls and were under another administration (Mocarelli 2015, 140). Moreover, several businesses started moving from Milan to the Corpi Santi area to avoid paying taxes to the walled city. At the same time, representatives of local factories were worried about losing fiscal benefits. In Milan, therefore, while the concern of Corpi Santi was recognised, the King was motivated to enact the annexation given the opportunity for neighbouring

jurisdictions to share common interests and public services. Moreover, Milan had provided formal assurance that it would maintain the free duty regime of Corpi Santi.

At the beginning of annexation on 1 October 1873, Corpi Santi represented about one third of the population of Milan living within the walls (200,773 individuals). The 8.23 square kilometres of Milan's jurisdiction increased to 75 after the annexation of the Corpi Santi municipality. The seats for elected councillors of the amalgamated municipality were increased from 60 to 80 with 61 for Milan and 19 for Corpi Santi. The elections in 1873 for the new city council confirmed the previous mayor Giulio Bellinzaghi (right-wing)³ but registered little interest among the population: turn-out was approximately 3,000 – only 29 per cent of those with voting rights.

The new municipality maintained the old administrative departments so that the former Corpi Santi territory was split into eight districts, on which modern Milan's urban decentralisation is for the most part based. Several problems arose with the amalgamation. First, the former territory of Corpi Santi needed public services, as it was mainly rural and experienced various sanitation issues (especially in the south because of water meadows and paddies), with dirty roads and without public lighting. Additionally, the new factories required housing for workers. Second, according to the King's annexation decree, the tax revenues, debts and specific public services expenditures were to be maintained separately by each former jurisdiction. The annexation decree listed in particular, district-specific expenditures such as those for the maintenance of urban streets, cemeteries, schools and public lighting. The two municipalities had in place the same budgetary accounting system in use throughout Italy after unification (Coronella, Lombroso, and Zanin 2013) as required by the municipal accounting law of 1865. Financial reporting consisted of the annual budget and the financial report. The final accounts contained general revenues and expenditures with either surplus or deficit highlighted on an accrual basis. This report was followed by a summary of assets and liabilities with the net assets highlighted, ending with the financial result of operations. Apart from the consolidation of accounting systems the main accounting problem, therefore, was budgeting and reporting for the entire entity, while maintaining the separation of accounts between common service- and district-specific expenditures.

Accounting change: 1874–1876

To support the accounting process of amalgamation, the executive cabinet appointed an *ad hoc* internal commission which also involved members of the council financial committee (composed of elected councillors of the two jurisdictions), the chief accountant Ignazio Cazzaniga and the elected financial alderman Carlo Servolini, acting as the chair (ASCOMI 1874d). Information about the professional background of each elected councillor involved in the *ad hoc* commission is not available, but during that period elected councillors were mainly representatives of the local middle class, intellectuals and professionals (Castellaneta 1976). The amalgamation came into effect on 1 September 1873 and to facilitate the merger of the accounting systems, the financial reports of the two entities remained distinct until the end of the fiscal year, 31 December 1873.⁴ The inventory of assets and cash reserves of the two municipalities was annexed to the financial report. Table 1 shows the annual accounts of the two municipalities before consolidation.

Table 1. Summary of first financial reports of amalgamated jurisdictions – financial year 1873.

MILAN	Italian lire	CORPI SANTI	Italian lire
Current revenues	11,322,039	Current revenues	819,672
Current expenditures	10,889,920	Current expenditures	732,449
Surplus	432,119	Surplus	87,222
Non-current revenues	164,049	Non-current revenues	22,889
Non-current expenditures	1,276,340	Non-current expenditures	70,318
Non-current deficit	1,112,291	Non-current deficit	47,428
Deficit	680,172	Surplus	39,794
Assets and Liabilities		Assets and Liabilities	
Receivables	28,206,071	Receivables	662,760
Liabilities	63,307,831	Liabilities	738,724
Deficit	35,101,779	Deficit	75,964

Source: ASCMI 1874b.

These accounts highlight that before the amalgamation, the per capita current expenditures of Milan (54 Italian lire) were about five times those of Corpi Santi (11 Italian lire), which emphasises the different levels of public services in the two jurisdictions.

In 1874, the accounting system of the two entities was unified, and the budgeting and reporting system was developed by means of three accounts. Two district-specific accounts – the ‘inner district’ and the ‘outer district’ (the second also referred as Suburbio, that is the suburb) – were used to allocate direct revenues and expenditures, as well as the direct assets and liabilities of the former jurisdictions of Milan and Corpi Santi. A common account named Bilancio Sociale (literally ‘Social account’) was used to allocate revenues and expenditures related to services and activities of benefit to the entire population. The 1874 budget (see Figure 3) disclosed the balance of district-specific accounts, the

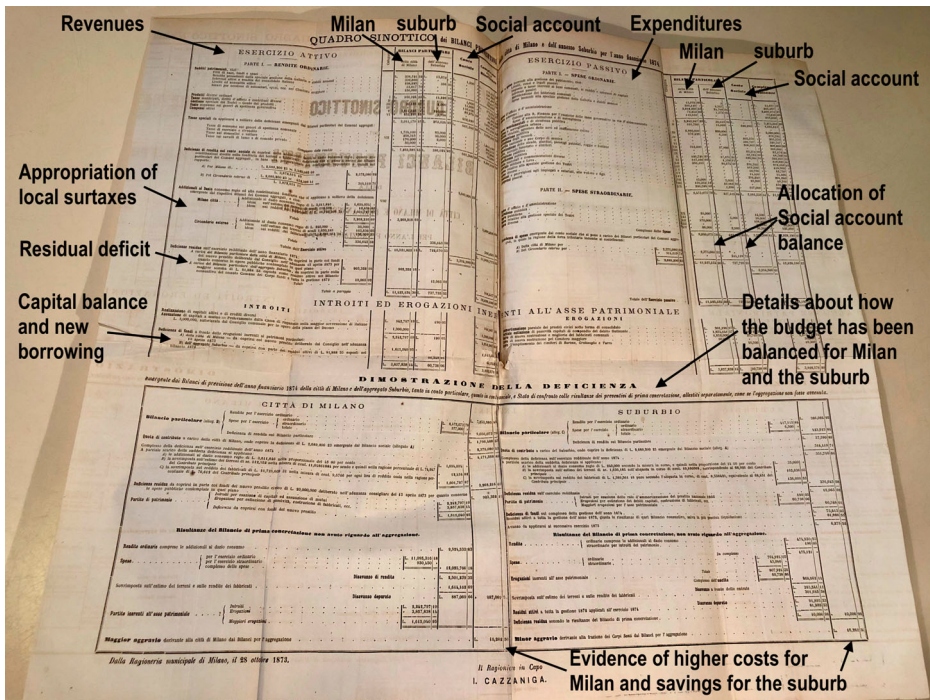


Figure 3. Financial year 1874 budget of the municipality of Milan.

Source: ASCMI 1874c.

Social account and a table (*‘Dimostrazione della deficienza’*) with a detailed explanation of how the budget was balanced on each district-specific account. This explanation also provided evidence of higher costs of amalgamation incurred by the Municipality of Milan and consequent savings gained by the suburb.

The budgets of the Social account and the district-specific accounts of Milan and Corpi Santi were disclosed, respectively, as annexes A (see Figure 4), B and C. The 1874 budget also contained an additional table (annex D) which disclosed differences in the amalgamated budget 1874, compared with the former individual budgets of Milan and Corpi Santi.

Over the following three years, the former municipalities of Milan and Corpi Santi experienced rapid economic development and ran operations as an effective single entity. While the system of duty collection was maintained separately between the two jurisdictions, Milan also benefitted from the reduction of contraband and so increased duty revenues. Urbanisation and industrial activities rapidly developed in the rural territory insofar as new public services were provided.⁵ At the same time, the elected councillors became progressively aware that the higher cost of amalgamation borne by residents of the inner city was in some way balanced by the new overall growth and wealth.⁶

The council financial committee is glad to announce that, just over three years from when the two municipalities were called to build just one family, all the difficulties of amalgamation have been totally overcome. This is the result of clever and facilitating co-operation of the former

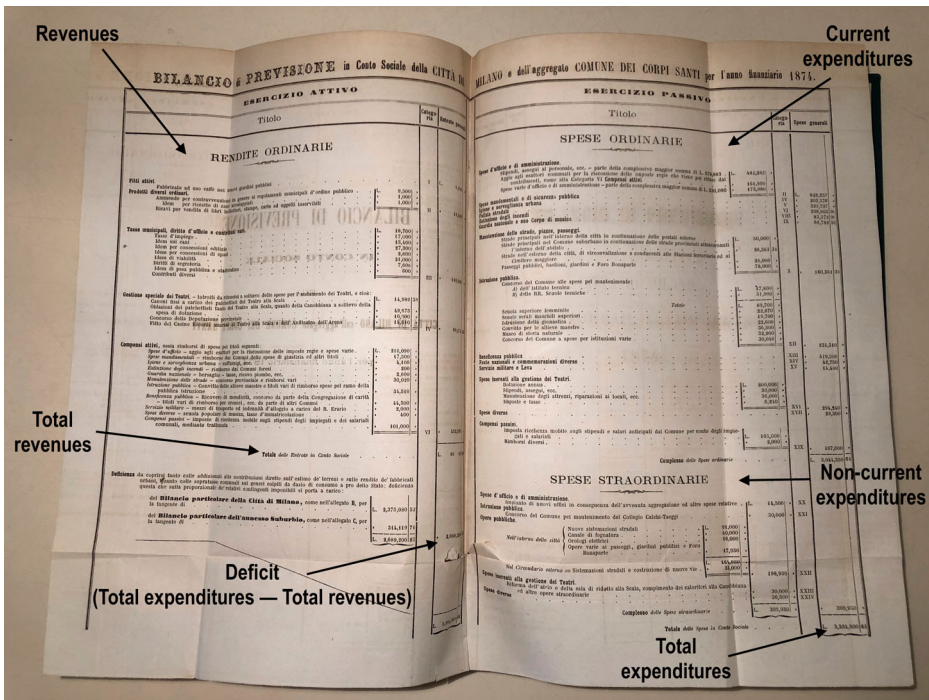


Figure 4. Financial year 1874 budget of the municipality of Milan – social account (Annex A). Source: ASCMI 1874c.

district representatives. The amalgamation signals a time of the happy transformation of the two municipalities, and a blooming dynamism of our Milan. (Councillor Gaetano Agnelli)⁷

Hence, in the 1875 budget, as most tax revenues and expenditures were included in the Social account (except interest on debt), the contribution rate needed for balancing the budget was calculated proportionally as 91.73 per cent for Milan and 8.27 per cent for Corpi Santi (in 1874, the share was respectively 88.32 per cent and 11.68 per cent). In particular, the Social account included expenditures for services that should have been accounted for separately as per the annexation decree of 1873. Unlike 1874, in the 1875 budget document, the Social account was disclosed before the column containing district-specific accounts, perhaps signalling the emerging unity of purpose and importance of common services in budget decisions (Figure 5).

Starting with the budgeting and reporting cycle of 1876, all revenues and expenditures were disclosed for the government as a whole, and the assets and liabilities of the former districts were consolidated into one account. Notes on the 1876 financial report provide evidence that the former jurisdiction of Corpi Santi also benefitted from the full consolidation, with higher tax costs borne by Milan. Table 2 summarises the main changes that occurred in published accounts of the amalgamated Municipality of Milan.

The next section provides details about the accounting innovation that took place during the period 1874–1875 and how elected councillors used accounting data.

QUADRO SINOTTICO DEI BILANCI PREVENTIVI

ESERCIZIO ATTIVO	BILANCO		
	Sociale	Interni	Esterni
REVENUE ORDINARIE	1,109,135,000	19,000,000	
Imposte dirette	3,000,000		
Imposte indirette	1,106,135,000		
Contribuzioni	18,400		
Prodotto di tasse	345,000		
Prodotto di diritti	58,000		
Prodotto di rendite	5,000		
Prodotto di altri	197,500		
Prodotto di interessi	800,000		
Prodotto di altri	93,600		
TOTALE	2,222,250,000	19,000,000	

CONTI DI BILANCO per l'anno amministrativo 1875

ESERCIZIO PASSIVO	BILANCO			TOTALE
	Sociale	Interni	Esterni	
SPESA ORDINARIA	2,222,250,000	19,000,000		2,241,250,000
Spese per servizi alla pubblica amministrazione	1,118,840,000			1,118,840,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze	2,000,000			2,000,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio	622,771			622,771
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie	207,449,770			207,449,770
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie	216,500			216,500
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie	87,072,000			87,072,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	307,800			307,800
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	172,000,000			172,000,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	962,550,000			962,550,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	150,000			150,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	32,450			32,450
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	15,500			15,500
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	95,500			95,500
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	140,000,000			140,000,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	800,000			800,000
Spese per servizi alla pubblica amministrazione - Conto alla F. Finanze - Spese di gestione e di servizio - Spese straordinarie - Spese straordinarie straordinarie - Spese straordinarie straordinarie	276,570,000			276,570,000
TOTALE	2,241,250,000	19,000,000		2,260,250,000

Dalla Ragioneria municipale di Milano, il 28 ottobre 1874.

Il Ragioniere in capo, L. Cozzaglio.

Figure 5. Financial year 1875 budget of the municipality of Milan.

Source: ASCMI 1874e.

Table 2. Main features of accounting change in the municipality of Milan.

	1873	1874	1875	1876
Configuration of budgeting and financial reporting	<ul style="list-style-type: none"> Budget not applicable (the amalgamation began on 1 October) Annual financial report composed of two distinct financial reports, Milan and Corpi Santi 	<ul style="list-style-type: none"> Revenues and expenditures split by former jurisdictions and by the Social account District accounts (Milan and suburb) and Social account disclosed as Annex Assets and liabilities not consolidated 	Same structure as 1874 apart from: <ul style="list-style-type: none"> A higher number of expenditures were included in the Social account, except for interest on debt District accounts (Milan and suburb) and Social account disclosed as Annex Assets and liabilities not consolidated 	<ul style="list-style-type: none"> Revenues and expenditures disclosed for the entire government^a Consolidation of assets and liabilities (each district bearing the outstanding debt service)

Note: ^aExpenditures for snow removal, public works and duty on the sale of goods continued until 1880. These outlays were indicated separately for Milan and the suburb in the notes to financial reports. The outstanding debt of former districts was also noted separately.

The use of cost accounting logic in 1874–1875

While the 1873 decree required mandatory separation of specific public service expenditures, the municipal law (article 13 of Law 2248 of 20 March 1865) allowed amalgamated municipalities to autonomously agree on the criteria for accounting consolidation. The choice of the new council for the financial year 1874 was to follow the decree and thus, to maintain the separation of accounts.

However, the mandatory separation of accounts contrasted with the urgent necessity of the Municipality of Milan to provide for a balanced budget for the entire amalgamated jurisdiction, specifically to allocate the expenditures for collective services and decide the adequate level of taxation. To support this information need, the internal commission drew upon the logic of cost accounting while complying with mandatory legislation. As illustrated earlier, the councillors used an additional account – the Social account – for recording common revenues and expenditures not directly allocable to the specific accounts of former jurisdictions (see Table 3).

Expenditures for those services (street maintenance, public lighting, schools and cemeteries), which should have been maintained separately according to the decree of amalgamation, were allocated to the district-specific accounts. The first step was to determine the

Table 3. The use of cost accounting logic in the 1874 budget – municipality of Milan.

Categories	Inner district (Milan)	Suburb (<i>Corpi Santi</i>)	Social account	Total
Revenues	+	+	+	+
Expenditures	–	–	–	–
Balance I	–	–	–	–
Allocation of Social account balance	←	←		
Residual balance	–	–		–
Local surtaxes on duty and properties	+	+		
Balance II	–	–		–
Capital budget balance	–	–		–
Receivables financial year 1872		+		+
New borrowing	+			+

Note: '+/–' signal the algebraic sign of account balances in the original 1874 budget.

operating budget balance resulting from direct revenues and expenses allocated in each district account and in the Social account. The result showed an overall imbalance that required additional local surtaxes. The Social account deficit was then allocated to each district account balance to calculate the residual balance and then, because of the residual deficit, the provision of funds by each district. The overall budget balance indicated new borrowing requirements.

It was difficult for the council to identify univocal and definite criteria for the allocation of the Social account deficit between the city and the suburb. The council decided in 1874 to allocate on a provisional basis this deficit proportionally based on the fiscal capacity of each territory, Milan and Corpi Santi. The potential tax return was estimated, including duties on sale of goods and property taxes appraised at their maximum rate. The underlying logic of this accounting method was that the new municipality provided services at the same standard in both districts (expenditures in the Social account), thus each territory should have made the same effort to raise revenue from its own sources (ASCOMI 1874a). This calculation was agreed upon and enacted by the council, and the standardised rate of contribution to common services resulted provisionally as 88.32 per cent to Milan and 11.68 per cent to Corpi Santi:

The allocation of the deficit to each district account, in fact, considered the maximum tax rate allowed by legislation. But, of course, each district can balance its own budget by means of other sources. This method of allocation must be considered provisional since better criteria – such as population – are set in the future.⁸

This accounting innovation was emphasised by members of the council financial committee:

We would like to bring to your attention the accounting innovation that was introduced in the budget for your approval. While we complied with the mandatory separation of municipal accounts, our municipality used the Social account to foster a satisfactory unification of accounts for the two districts. (Councillor Luigi Sala)⁹

The mayor also underlined the transparency of accounts during the 1874 budget meeting while recognising the quality of the budget preparation carried out by the chief accountant:

I am sure you [councillors] have noted the admirable work of accounting amalgamation performed by our chief accountant. He has been able to comply with legislation while reporting in a way that numbers are easy to understand by non-accountants. He has been able to consolidate the budget without losing information about its segments. (Mayor Giulio Bellinzaghi)¹⁰

However, it was not an easy task to choose the right method of allocation of common expenditures (see Table 4). In fact, as pointed out by a member of the council:

It was not so easy allocating common services' expenditure to the Social account once direct expenditures were registered to district-specific accounts. Expenditures are split into several detailed subjects, and our accounting office encountered several difficulties while identifying the right allocation. Doubts in the allocation of expenditures were solved by our council financial committee by agreeing on a principle of fair allocation. (Councillor Luigi Sala)¹¹

An example of these difficulties was the allocation of street maintenance expenditures. The legislation allowed councils to account separately for the maintenance of city streets. However, it was hard to distinguish them in practice. It was also difficult to

Table 4. Allocation criteria of revenues and expenditures in the financial year 1874 budget.

Categories	Inner district (Milan)	Suburb (Corpi Santi)	Social account
Revenues			
Property surtax (lands, buildings)	x	x	
Surtax on sale of goods ^f	x	x	
Income tax	x	x	
Business tax	x	x	
Horses tax	x	x	
Other taxes (e.g. taxes on carriages, servants, dogs, depots)	x	x	
Tax on occupation of public spaces	x	x	x ^a
Building permits	x	x	x ^a
Museums	x		x ^e
Pension contributions			x
Theatres			x
<i>Non-current revenues:</i>			
Rents and interests	x ^b	x ^b	x ^b
Expenditures:			
<i>Current expenditures:</i>			
Street maintenance	x ^b	x ^b	x ^b
Schools	x	x	x
Public lights	x	x	
Cemeteries	x	x	
Interests on debt	x	x	
Employee pensions	x ^c	x ^c	x ^c
General government	x ^d	x ^d	x ^d
Parks			x
Theatres			x
Others (e.g. National Guard, firemen, street cleaning, medical services, subsidies)			x
<i>Non-current expenditures:</i>			
Public works	x	x	x

Note: 'x' means direct allocation to the specific account. Allocation methods are specified for particular items.

^aTax revenues on public spaces derived from streets counted in the Social account.

^bDirect allocation on the basis of asset localisation.

^cDirect allocation on the basis of salaries and time on duty.

^dFair allocation of salaries on the basis of work performed by employees.

^e25 per cent of museums' expenditure was accounted in the Social account and 75 per cent in the Milan account.

^fIncreases of local surtaxes on property and on sale of goods were permitted by legislation to balance the budget.

distinguish the cost for individual streets or areas within the entire amount billed by private contractors. Again, it was not clear if expenditures for street repair should have been included within the 'maintenance' category quoted by the legislation and the amalgamation decree.¹² The choice for the 1874 budget was to charge district accounts for secondary streets and squares on the basis of asset localisation and to use the Social account for the others.

Tax revenues for the occupation of public spaces and building permits were directly allocated to each district and to the Social account, if revenues derived from common streets. Notes to annual budgets and financial reports disclosed the methods of allocation and details of calculations.

Apart from technical difficulties, the allocation of expenditures into the three accounts was not without political consequences. Some elected councillors questioned that most expenditures appropriated for services targeting the Corpi Santi area were charged on the Social account. Indeed, due to the standardised contribution rates, a higher amount of Social account expenditures would have been financed mainly by tax increases at the expense of Milan's residents without direct service benefit. Councillors also questioned

that the population should have been taken into consideration in the allocation of expenditures. This debate also involved councillors from Corpi Santi, who argued that their residents should not have to pay for expenditures in the former Municipality of Milan and charged to the Social account. For example, during the 1874 budget meeting of 29 December 1873, Councillor Luigi Casati (a nobleman also elected in the Italian Senate) asked that medical services for the suburb be accounted for in its district-specific accounts. Milan had its own hospital, Opera Pia di Santa Corona, thus gaining no benefit from such expenditures.¹³ While this issue was recognised, Councillor Giuseppe Mussi (left-wing) noted that the internal commission had made a fair accommodation of different interests:

The most important choice we made about the budget was the standardisation of contribution rate to the Social account expenditures, even more than the fair allocation of single expenditures. Let it be understood that specific interests have not been neglected. We have aimed at mutual agreement having in mind to give evidence of the concord of our family of Milan. (Councillor Giuseppe Mussi)¹⁴

A similar debate emerged among Milan's councillors as to the appropriation of subsidies for poor residents of the suburb. Councillors from the rural jurisdiction also questioned the allocation to the Social account of expenditures for Milan's parks as well as for the hospitalisation of Milan's patients with chronic diseases.

Although these arguments recurred during city council meetings until the full unification of accounts in 1876, the council easily enacted each of the budget and financial reports over the three years of amalgamation. In the end, it was recognised by councillors of the two jurisdictions that some shared services also existed before the amalgamation to the benefit of all residents. For example, the cemeteries of Milan were mixed; primary schools in Milan were attended by children from Corpi Santi; the Municipality of Milan contributed to public lights and maintenance of the street leading to the railway station (located in the outer jurisdiction); and both jurisdictions jointly with the provincial government contributed to the maintenance of the ring road.¹⁵ The council – by making use of accounting data – was aware that the former district of Milan carried the higher financial cost of amalgamation to the advantage of Corpi Santi, yet Milan also benefitted from the economic growth of the amalgamated territory, which enlarged the tax base of the new municipality and avoided a tax rate increase.¹⁶ The end of the Municipality of Corpi Santi did not immediately affect the fiscal benefits of the outer district as a dual tax system, favouring the suburb, remained in place until the revolts of 1898 (Punzo 1977, 27–28). However, the final unification of accounts was not fully accepted by minority councillors, who claimed the accounting decisions did not comply with the initial requirement to maintain separate accounts as stated in the decree.¹⁷

Discussion and conclusions

The objective of this study was to analyse the organisational and accounting change associated with a coercive discontinuity subsequent to the amalgamation of two municipalities and to shed light on the role played by accounting information. We have interpreted the main data collected according to the framework of institutional theory to explain the role played by accounting information during the institutionalisation process. Coercive isomorphism, as advanced by Di Maggio and Powell (1983), suggests

giving greater attention to formal and informal pressures from the environment and external organisations. These pressures are considered to strongly affect the behaviour of people within the organisation. We have framed these formal and informal pressures based on the analysis of legislation and public statements of councillors during council meetings.

In the following table, we classify each of the observed variables through the lens of the processual approach (Dawson 2003), intersected with the main issues of coercive isomorphism, that are the formal and informal pressures (Table 5).

As formal pressures, we have identified the following:

- State Law 2248 for the administrative unification of the Kingdom of Italy of 20 March 1865 (Articles 1–5), and the municipal and provincial administration law (Annex A of the State Law, Articles 1–252);
- Parliamentary Decree of 18 August 1870.

The state law recommended aggregation to ‘simplify public administration and reduce expenditures’ (Article 2 of Law 2248). Annex A, which is the municipal law, stated that (Article 13): ‘... The king’s government can ensure the merger of municipalities, regardless of their population, when the council makes an application for merging and sets the conditions for the agreement. The electors will be free to make their opposition, which will be transmitted to the prefect. The prefect sends his opinion and other relevant documents to the king’s government ...’ Apart from the earlier legislation, we found that the Parliamentary Decree of 18 August 1870 exerted strong pressure for the accounting change, as it allowed municipal amalgamation without the full agreement of interested entities. Informal pressures appeared in the form of the decisions and behaviours of councillors of the Municipality of Milan, who wished to annex the Corpi Santi municipality to increase both its area and budget revenues.

Table 5. Amalgamation and accounting change: extra-organisational and internal factors.

Processual Approach (Dawson 2003)	Coercive Isomorphism (Di Maggio and Powell 1983)	
	Formal Pressures	Informal Pressures
Politics Influence of the King and of municipal councillors	The King of Italy: <ul style="list-style-type: none"> • Favouring the amalgamation in order to achieve the administrative unification, simplifying public administration and reducing public expenditures 	Municipal councillors: <ul style="list-style-type: none"> • Favouring the amalgamation in order to expand the territory and increase revenue • Continuous discussions and changes of the accounting practices
Context Influence of legislation and changing social expectations	Central government: <ul style="list-style-type: none"> • State Law 2248 for the administrative unification of the Kingdom of Italy of 20 March 1865 	Municipal councillors: <ul style="list-style-type: none"> • Changing social expectations of new councillors about the improvement of the situation of both districts
Substance Accounting change – influence of the chief accountant and leading elected councillors	<ul style="list-style-type: none"> • Full compliance with legislation (1873–1874) • Unification of separate service expenditures (1875–1876) • Criteria established by the internal commission 	Municipal councillors and the chief accountant: <ul style="list-style-type: none"> • Continuous discussions and changes of the accounting practices (e.g. the criteria for allocation of common expenditures and revenues)

Both types of pressures overlap and influence each other. Indeed, all these legislative and informal pressures led the King to establish amalgamation even against the will of the councillors of Corpi Santi. The political compromise for unification was the requirement to maintain the separation of the accounts of the two municipalities and split revenue and expenditures. The Decree of 8 June 1873 states, in fact, that the decision was made 'by considering the decisions of the Municipal Council of Corpi Santi of 28 January and 4 February 1872, in which it expressed a vote against the application made by Milan, rejecting the amalgamation as contrary to the interests of the municipality, and prejudicial to the development of its industries'. Both these pressures greatly affected the work of the internal commission for amalgamation, which was tasked with setting the criteria for the separation of the accounts. In 1873, these pressures were reflected in the rationale that inspired the initial separation of published accounts:

The council financial committee lauds the accuracy and the clarity with which the budget was drawn up by the chief accountant. The financial committee underlines how the new budget document is divided into three parts, namely: the Social account and the inner and suburb districts accounts. This distinction was done to comply with the prescription of the Decree of 8 June 1873, which required the separation of mandatory expenditure of municipalities defined by municipal legislation, and rents and capital expenditures.¹⁸

To better analyse how these pressures affected the new municipality over time we observed those aspects that appear to have had the greatest effect on the organisational and accounting change and, in particular, the role of politics and the context of the change: 'The politics of change is taken to refer to the political activity of consultation, negotiation, conflict and resistance which occurs at various levels within and outside an organisation during the process of managing change' (Dawson 2005, 15). The context of change in our study is concerned with external contextual factors, for example government legislation that changed social expectations. In particular, we refer to governmental pressures that occurred over time (1873–1877) and how these were influenced by political expectations.

We examined, through the lens of the processual approach, the influences stemming from the legislation and the pressures coming from the political interests of Milan's elected councillors (see Figure 6 for a summary). Considering the institutionalisation process as explained by Burns and Scapens (2000), we argue that isomorphic pressures driven by environmental and external changes affected internal accounting rules and routines at the organisational level resulting in a 'transformative' institutionalisation process. In the first phase of the organisational and accounting change, coercive isomorphism is explained by the new amalgamated municipality following the mandatory separation of accounts in 1873. In the next phase, 1874–1875, the accounting information needs of the newly amalgamated councils, led to accounting innovation (the use of the Social account and the cost allocation mechanism), which developed through dynamic stages of the encoding, promulgating and reproducing of new accounting rules and routines (Burns and Scapens 2000, 9). At the end, the process resulted in the institutionalisation of these new accounting practices through the ultimate unification of accounts in 1876. This result took place when accounting ceased to explain its function a 'binding technology' so that the separation of accounts no longer had any rationale. Hence, while in the first phase the practice of accounts separation can be understood with extant institutional

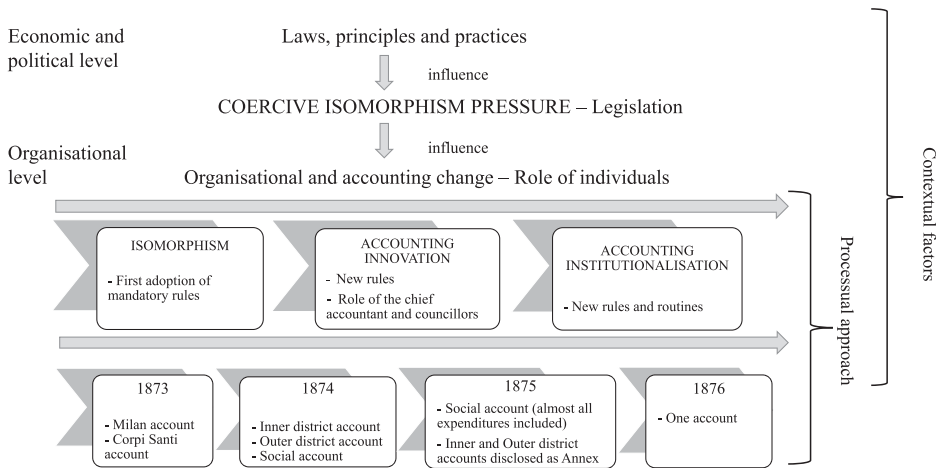


Figure 6. The process of organisational and accounting change in the Municipality of Milan.

theory, leading to conformity to legislation, the later accounting practice can be understood as an innovative activity that cannot be easily incorporated into coercive isomorphism. This view is consistent with Lounsbury and Crumley (2007, 1007) which show that innovation in management practices may lead to new routines as the result of a micro-level [organisational] process of gradual development of institutionalised behaviour through the actions of ‘institutional entrepreneurs’. Accounting innovation and the creation of new rules and routines were possible thanks to the role played by powerful actors, such as the chief accountant Ignazio Cazzaniga, who had the ability to prepare the required reports and suggest new practices, as well as Mayor Bellinzaghi, the financial alderman Carlo Servolini and leading councillors, Agnelli, Sala, Mussi, who helped to interpret the results of the new information for their organisation.

To some extent, we can infer that the accounting innovation was led by the professional expertise of the chief accountant Ignazio Cazzaniga and of the financial alderman Carlo Servolini, himself an accountant by profession.¹⁹ Indeed, the councillors praised the chief accountant on many occasions, for example: ‘... the council financial committee lauds the accuracy and the clarity with which the budget was drawn up by the chief accountant’ [‘La Commissione riveditrice eletta dal Consiglio loda la giustezza e lucidità con cui esso bilancio fu redatto dal Ragioniere-Capo’] (Councillor Luigi Sala, ASCMI 1873, 141), or ‘... councillors have noted the admirable work of accounting amalgamation performed by our chief accountant.’ [‘... e qui non sarà certo a voi sfuggito il mirabile magistero con che il Ragioniere Capo...’] (Mayor Giulio Bellinzaghi, ASCMI 1874a, 143).

These findings are in contrast with the process of isomorphic change posited by institutional theory, which gives more emphasis to the search for conformity to external pressures while neglecting the role played by ‘individual preferences and choices’ (Powell and DiMaggio 1991, 188; Dacin 1997; Sargiacomo 2008). We contend that the processual perspective (Dawson 2003) on accounting change presented in our analysis potentially offers a useful alternative. While institutionalists have pointed to the importance of isomorphic change as a key element of institutional behaviour that enables new rules to diffuse, by

focusing on early stages of accounting practice creation at the micro level, our study may be able to provide more comprehensive explanations of institutional change and outcomes.

In the case of Milan and Corpi Santi, subsequent to the coercive change (amalgamation), the contribution of individuals (Hiebl, Quinn, and Martínez Franco 2015, 158) was crucial in bringing about accounting innovation that favoured the institutionalisation of new rules and routines that were just the opposite (that is the unification of accounts) of what was initially established by coercive pressures (that is the separation of accounts). Along this line, earlier research (Oliver 1992; Scott 2001) has considered the possibility of 'deinstitutionalisation' of established rules when their legitimacy within the organisation comes to an end and are replaced with others. Apart from external organisational pressures posited by institutional theory, future research into accounting change should emphasise how interactions among key actors can produce innovation in accounting rules and practices. Government legislation clearly plays a strategic role in institutional change as it defines the rules of the game. Coercive governmental rules might have the capacity to influence both negatively or positively the organisational change as inhibitors or facilitators of institutional change. In this respect, unlike Carpenter and Feroz (2001, 566), our findings suggest that coercive isomorphism imposed by government accounting rules (the separation of accounts) does not necessarily constrain innovation in organisational settings where the interest and information needs of leading actors prevail during the institutionalisation process. Indeed, after the amalgamation, the separation of the accounts of the former municipalities caused greater complexity for the council in balancing the budget for the entire new municipality and setting fair taxation for the former jurisdictions.

Accounting was an important means of providing information that was previously lacking, thanks to the ability to reflect the context in which it was implemented, becoming a social phenomenon (Núñez 2002, 308). For example, the allocation of the Social account deficit on the basis of fiscal capacity is an example of horizontal fiscal equity among the residents of former jurisdictions which reflect the government transition towards a 'responsible government' demonstrating legitimacy to the citizens (Baker and Rennie 2017). Indeed, the higher percentage of the Social account's deficit allocation on the residents of Milan (91.73 per cent versus 8.27 per cent of Corpi Santi) was equivalent to a transfer of fiscal resources (tax revenues from Milan residents) across neighbouring jurisdictions with the aim of offsetting differences in revenue-raising capacity. To our knowledge, this practice can also be considered an innovative and early application in the public sector of the logic of cost accounting. Yet, the accounting reports provided in the context of this study can be more properly labelled as an example of early segmental reporting (Edwards and Smith 1996), in that the municipality applied the logic of cost accounting for external financial reporting to make the community aware of the costs of public services resulting from the amalgamation, and to ensure appropriate taxation in the former jurisdictions.

We have no evidence to suggest that this innovation was built 'in-house' by the chief accountant or he adopted and adapted something already used elsewhere in Italy or in Europe. Since most members of the council who led the innovation were businessmen or had a professional accounting background, we argue that they probably used a well-known approach (Lemarchand 2016) that gradually developed as a management

control practice among large enterprises in Italy (Antonelli, Cerbioni, and Parbonetti 2002; Antonelli, Boyns, and Cerbioni 2006, 2009) and in other countries after the industrial revolution (Chandler 1962; Boyns and Edwards 1996; Boyns, Edwards, and Nikitin 1997; Carmona and Donoso 2004). We also cannot exclude that a similar accounting practice already had been adopted earlier in 1808 in the context of the first amalgamation of Milan with Corpi Santi or, again, in the subsequent de-amalgamation that occurred in 1816. Further research would be beneficial to investigate this issue further.

Accounting was therefore instrumental in building the new community, in that it provided political decision makers with the necessary calculations to achieve a shared view of the new organisation and enlarged public services.²⁰ This interpretation is consistent with previous research showing that accounting and accountability changes may result in a new flow of accounting information that creates a new understanding of the public space (Neu 2006) and contributes to the reproduction and transformation of communities (Sargiacomo 2006; Lana-Berasain 2017, 226).

In the end, the councillors considered that the benefits of amalgamation outweighed the costs (ASCOMI 1877b, 1877c, 1878). The suburbs, in fact, obtained significant improvement in public services: the spread of primary education, new roads, accommodations of large neighbourhoods, public lighting, funeral services, and a new slaughterhouse. These results were achieved without a spending increase for the suburb, which was absorbed by the inner district of Milan during the earlier years of amalgamation. The inner district's councillors were also satisfied with the amalgamation, as it provided a larger territory for Milan and an increase in the tax base. This satisfaction is clearly shown in the words of the council financial committee in reviewing the financial reports of 1878:

... Therefore, these insensitive figures confirm the true of saying that 'united we stand, divided we fall', and our city will be lucky if we will use that strength of agreeing and sharing to increase its entrepreneurship and economic prosperity.²¹

A long period of social, political and economic development in Milan and its suburbs followed the amalgamation. In fact, the entrepreneurial spirit of major industries located in Corpi Santi led to an increase of the economic activities and further growth in terms of territory and number of inhabitants. The amalgamation of Milan and Corpi Santi in 1873 was unavoidable because of rapid social and economic change. This event marked the beginning of contemporary Milan as a major metropolitan city. Some of the gateways that delimited the administrative borders between the old city of Milan and Corpi Santi can be still seen in the modern urban space.

Administrative borders of towns and cities are not only real or artificial lines marking the territory under control of a particular governing body. They are a symbol of community identity and historical continuity. They are also political devices and can explain how culture and values of human communities changed over time as a result of agreements or conflicts. Accounts and accounting of local governments provide us with valuable insights into the process of community building.

In the current historical period in which 'borders' – particularly national borders – are seen as the right of a sovereign authority to restrict entry of new members to preserve home interests, we argue that the analysed case of accounting for community building can give political leaders evidence and inspiration to break barriers in the pursuit of the common good.

Notes

1. The population of Milan was 196,109 according to the census of 1861.
2. Camera dei Deputati, Atti Parlamentari, Tornata del 3 Giugno 1863, Roma, available at (accessed on 5th March 2017): <http://storia.camera.it/regno/lavori/leg08/sed427.pdf>.
3. Mayor Giulio Bellinzaghi was a banker by profession and a former member of the Italian parliament.
4. ASCMI 1874b, 55.
5. 'The rural territory experienced several benefits without a tax increase. On our side, we were prompt in giving answers to the outer territory by providing public services such as a new slaughterhouse, increasing public lights, schools, sanitary services, and the standardisation of teachers' salaries as much as the inner district.' ['(...) e a questo territorio ci affrettammo far sentire non indifferenti benefici, quali specialmente consistono (...), nella costruzione di un pubblico macello (...), nella illuminazione che andiamo gradatamente aumentando; nella continuata creazione di locali ad uso scuole; nella parificazione a quelli del circondario interno degli stipendi dei docenti, in una vigorosa e ben gradita sorveglianza igienica, e così via, senza averne, come avrebbe potuto essere ben naturale conseguenza, aumentate le imposte.], Mayor Giulio Bellinzaghi, ASCMI 1876, 1.
6. Giovanni Battista Pirelli, founder of the famous tyre factory, was one of the most active councillors in council meetings in demanding public services for the annexed rural district in which his factory was located.
7. 'La Commissione vostra è lieta di potervi annunciare come, dopo tre anni dacchè i due Comuni furono chiamati a formare una sola famiglia, siansi ormai completamente appianate, mercè l'intelligente e conciliante cooperazione dei rispettivi loro rappresentanti, tutte quelle difficoltà che erano inerenti a tale riunione, la quale segna un'epoca di felice trasformazione dei due Comuni, di una più rigogliosa vitalità di questa nostra Milano.' ASCMI 1877a, 55.
8. 'Nello stabilire le singole competenze passive, di cui sopra, si tenne per base tutto l'ammontare delle sovrimposte acconsentite dalla legge; ma è però sempre riservato a ciascuna delle due frazioni di provvedere al pareggio del proprio bilancio anche con altri mezzi, di cui le medesime possono disporre; il perché vennero le sopra indicate quote di disavanzo riferite a carico dei rispettivi bilanci particolari, restando con ciò pareggiato il conto sociale. (...) ... l'anzidetta limitazione vuoi ritenere affatto interinale senza pregiudizio di quei più esatti criteri di riparto che si trovasse di adottare nei bilanci successivi, in quanto che altri fattori potrebbero entrare a stabilire il grado di potenza della città e del suburbio rispettivamente, fra i quali il dato numerico della popolazione.' ASCMI 1874a, 151.
9. 'Questi cenni hanno creduto necessario gli attuali revisori di esporvi a maggior vostro lume prima di venire a parlarvi dell'innovazione, che avrete veduto essere stata introdotta nel preventivo or sottoposto alle vostre deliberazioni, in quanto alle categorie di spese che nel precedente bilancio vennero conteggiate separatamente, mentre ora sono messe in conto sociale; innovazione la quale, benchè abbia per risultato di semplificare mirabilmente la nostra contabilità senza per nulla intaccare l'effetto delle garanzie stabilite dal sovrano di aggregazione, s'intende però introdotta soltanto in via meramente provvisoria e di esperimento (...). A questo proposito giova innanzitutto ricordare che fino dall'anno scorso era sorto in seno alla Sotto-commissione incaricata di allestire il preventivo 1874 il savio pensiero che, tenuti distinti gli enti patrimoniali e li speciali cespiti di sovrimposta dipendenti appunto dalla diversa situazione economica delle due aggregate frazioni, si avesse ad addivenire, nel termine più breve e nel modo più soddisfacente per l'interesse delle frazioni aggregate, alla desiderata unificazione dei bilanci per tutte le spese di pubblico servizio.' ASCMI 1874c, 59.
10. '(...) e qui non sarà certo a voi sfuggito il mirabile magistero con che il Ragioniere Capo, dando una novella prova della sua profonda scienza contabile, ha saputo egregiamente riescire nell'arduo assunto di tener distinti, a norma delle diverse competenze, elementi così molteplici, e di raccogliarli in acconci prospetti, senza mai generare la menoma confusione, e portandovi anzi una chiarezza ed evidenza accessibili anche a persone affatto estranee alla scienza del ragioniere.' ASCMI 1874a, 143.

11. 'Sembrebbe a tutta prima che, fissati i titoli di spesa da tener distinti, abbia a riescire agevole il comprendere in conto sociale tutto il rimanente, ma così non è; giacchè, oltre che siffatta distinzione rende necessaria l'attivazione di contributi speciali od in diversa misura, osserva giustamente la Ragioneria che questi titoli, i quali si possono enunciare con poche parole, si dividono e si frastagliano ciascuno in varie altre Categorie con tale una propaggine di dubbi sul modo di valutarle e sulla loro competenza che, a dire vero, hanno reso questa prima volta la compilazione del bilancio irta di gravi difficoltà. Ma su di ciò, nulla essendo detto nel decreto Sovrano, e presentando una grande varietà le norme seguite dai Comuni aventi frazioni con patrimonio distinto (...), non rimase altro partito alla Commissione incaricata di allestire il presente bilancio che di ricorrere a temperamenti di equità, confidando che sarebbero di buon grado stati accolti dalla Rappresentanza legale delle parti interessate, in vista anche del loro carattere affatto interinale e provvisorio.' ASCMI 1873; 144.
12. ASCMI 1877a.
13. Speeches of councillors Casati and Mussi, ASCMI 1873, 344.
14. 'La parte più importante del bilancio, meglio che la classificazione delle single partite fatta con un Sistema equitativo, stette nel rapporto del contributo: resta inteso che le quistioni d'interesse non si sono pregiudicate: s'è camminato per una via di mutuo aggiustamento col principio di dar prove dell'unità che regge la famiglia milanese.' ASCMI 1873; 344.
15. ASCMI 1874e.
16. ASCMI 1877a, 55.
17. An appeal against the decision of unification of accounts was addressed to the Ministry of the Interior by Councillor Giuseppe Mussi, also a member of the Italian parliament. Camera dei Deputati, Atti Parlamentari, Tornata del 6 Febbraio 1877, Rome, available at <http://storia.camera.it/regno/lavori/leg13/sed045.pdf> (accessed on 20 March 2018).
18. 'La Commissione riveditrice eletta dal Consiglio (...) ricorda come [il bilancio] sia distinto in tre parti, cioè: la parte sociale e le due gestioni proprie della città e del suburbio, stante la prescrizione del Sovrano decreto 8 giugno corrente anno, il quale volle che non soltanto fossero tenute separate le rendite e spese patrimoniali, ma nel anche le spese obbligatorie pe' Comuni, giusta la legge vigente sull'Amministrazione comunale.' ASCMI 1873, 141.
19. 'The work [of internal commission for amalgamation] has been successful thanks to financial alderman comm. [honorary title] Servolini and the chief Accountant cav. [honorary title] Cazaniga, who showed great commitment and special accounting competencies.' ['A questo studio attesero l'assessore della partita finanziaria comm. Servolini ed il Rag. Capo cav. Cazaniga, spiegando un indefesso zelo e mettendo a profitto quelle speciali cognizioni della scienza contabile che, come è noto, possiedono amendue in eminente grado.'], ASCMI 1874c, 59.
20. It seems that leading politicians were well aware of the instrumental role played by accounting: 'Honourable Councillors, (...) it is not inappropriate to remind you that right in the first year after the amalgamation, some of the councillors of Corpi Santi also supported the unification of accounts. We overcame this will as we wanted to let the power of figures convince hesitant councillors that Milan was not living off the money of Corpi Santi. This is why we decided to maintain accounts separately in the 1874 budget.' ['Signori Consiglieri, (...) non è inopportuno il ripetersi come già dal primo anno d'aggregazione vi fossero anche fra i rappresentanti del Circondario esterno propugnatori del bilancio unico. Abbiamo resistito a questo desiderio, perché abbiamo voluto che la potenza delle cifre persuadesse anche i più dubbiosi che il Circondario interno provvedeva ai propri impegni coi propri mezzi. Perciò il bilancio 1874 si tenne diviso e distinto pei due Circondari.'], Speech of Mayor Giulio Bellinza-ghi, 11 November 1875; ASCMI 1875, 14–15.
21. 'Così dal freddo esame delle cifre sorge spontanea la conferma della verità di quel detto, che l'unione fa la forza; e fortunata la nostra Città, se di questa forza, che nasce dalla concordia ne useremo solo per l'incremento della sua laboriosità e della conseguente prosperità sua amministrativa ed economica.' ASCMI 1878, 20.

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