

The introduction of management control to recover small residential care homes and trigger managerialisation: Evidence from Italy

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This paper proposes, implements and routinises a strategic management control system (MCS) as a means of stimulating the managerialisation of small organisations. To this end, this paper develops a single case study based on a small Italian residential care home. The tool employed entailed significant organisational, operational and cultural changes. Thus, careful analysis of the nature and economic and financial consequences of this process are needed. This control system also aims to become a reporting and communication tool to inform stakeholders of the organisation's behaviour, results and economic and social responsibilities. This paper utilises an interventionist approach, and its value lies in its practical implications, which contribute to a reduction in the gap between theory and practice.

Keywords: small organisations, elderly care, residential care home, COVID-

19, interventionist approach, management control.

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1. Introduction

Small organisations (SOs) have been widely recognised as critical sources of economic growth. Indeed, small and medium enterprises constitute most enterprises in the EU-27, employ approximately 83 million people, and account for more than half of European GDP (European Commission, 2022). Unfortunately, SOs often lack financial and human resources and are characterised by a lack of clear processes, operational inefficiencies, professionalism and, or, necessary skills and competences (Berrone *et al.*, 2014). One of the greatest shortcomings of SOs is the lack of relevant data, such as accounting-financial information (Lavia and Hiebl, 2015), to support the decision making process. Overall, SOs are often guided by the intuition, expertise, and personal experience of the owner-manager (Liberman-Yaconi *et al.*, 2010; Broc-

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cardo, 2014). Thus, in many cases, SOs fail to realise their potential.

Considering their importance, practitioners/academics should help SOs identify how they can perform better. However, SOs remain underresearched in many areas (Berrone *et al.*, 2014); for example, long-term care services, which includes extra-hospital organisations providing health care (medical, nursing and rehabilitation) and residential assistance to elderly people, are lacking.

Although following the New Public Management movement, several weaknesses (cultural, organisational, managerial, etc.) remain in Italian organisations of the health sector (Anessi-Pessina and Cantù, 2006), and in particular for SOs, there is real potential for improvement. Managerial skills need to be improved, and management tools and management accounting practices must become routine. This delay is partly understandable, as the introduction of a culture of measurement imposes cultural challenges and organisational change (Hinna, 2009). However, change has become increasingly less deferrable in the Italian long-term care sector. Indeed, increasing competitiveness resulting from the entry of large players and an explosion in the number of caregivers, the downsizing of public resources and cost increases generated by the pandemic, threaten the survival of many small residential care homes (RCHs) (Fosti and Notarnicola, 2019; Francioli and Albanese, 2021). This area of investigation is of particular interest, especially in Italy, where the elderly population is the highest in the entire EU and where the spread of Covid-19 has had a significant

impact on society and the long-term care sector; during the pandemic, approximately 6,800 older adult residents in RCHs died (De Girolamo *et al.*, 2020), as more than 43% of RCHs are small facilities (Atti, 2017). Difficulties of scale and management shortcomings were highlighted by the pandemic (e.g., poor ability to manage unforeseen/uncontrollable costs), and many SOs were forced to rethink their business model and organisation (Fasth *et al.*, 2023). This paper considers the pandemic an opportunity (Pencarelli *et al.*, 2020) to increase the resilience of RCHs and addresses the following research question: how can the managerialisation of small RCHs be promoted? In particular, the analysis reflects how management control systems can be implemented and routinised in small RCHs, i.e., whether they are accepted and used in decision-making.

To address this research issue, the authors developed an interventionist case study interpreting developments from the perspective of pragmatic constructivism (Norreklit, 2017; Cinquini and Norreklit, 2022), which is employed to outline how people can relate to their reality in a way that will support successful action. This interventionist approach has been utilised to understand the reality around a specific company and to design a simplified management control tool to increase business resilience.

The paper is empirical in nature and is based on a research project initiated in 2016 involving the Department of Economics and Business Studies of the University of Naples “Parthenope” and a small Italian RCH, which needed guidance in managing its business and required a tool to measure, inter-

pret and improve performance. This work has implications for practitioners and academics because it highlights the obstacles and effects of the developed tool and advances the understanding of the MCS tools employed in SOs.

This paper is structured as follows. Section 2 provides the literature background. Section 3 outlines the methodology and research context. Section 4 presents the results, which are discussed further in Section 5, together with the considerations of the members of the organisation studied. Finally, Section 6 highlights the conclusion, limitations, and suggestions for future studies.

2. Theoretical background

2.1. The managerialisation process in health care sectors

Since the 1990s, several national health care systems (including Italy's) have been reformed in the wake of the New Public Management movement, which is based on specific pillars (Hood, 1991): hands-on professional management in the public sector; explicit standards and measurements of performance; output controls; disaggregation of (monolithic) units in the public sector; a shift to greater competition; and stress on greater discipline and parsimony in resource use.

The drive to improve efficiency and effectiveness has fostered the rise of Performance Management since 2000 (which refers to a «set of procedures for defining performance, measuring it, and linking it to incentives or sanctions»; Ketelaar *et al.*, 2007, p. 8), and enabling act No. 15/2009 and legislative decree No. 150/2009 implemented the principles of performance man-

agement in the Italian system. Despite the introduction of elements such as managerial concepts, mechanisms, and techniques (Songini and Vola, 2014), regionalisation and quasi-markets (Fattore, 1999), in Italy, the process is not yet fully complete (Falduto and Rossi, 2017).

Overall, the managerialisation process has contributed benefits (culture and managerial skills have improved, various management tools derived from the private sector have been adapted to the health care sector, etc.), but it has also generated consequences. For instance, the need to control spending and ensure the delivery of high-quality health services led the Italian national health system to reduce excessive hospitalisation and focus on acute patients (Zuccardi Merli, 2002). However, some studies suggest that performance management in the Italian health care sector is not always effective (Aroni, 2018). By decreasing care for stabilised chronic patients, hospitals have modified patient care pathways and increased the rate of de-hospitalisation, directing a segment of demand to outpatient or residential services (nursing homes, RCHs, etc.) (Ignone *et al.*, 2013). If one also considers that the 65-year-old life expectancy has increased and Italy is one of the oldest countries in Europe (according to the Italian National Institute of Statistics, the Italian old-age index exceeds 168%) (Zenga *et al.*, 2021), it is important to study complementary services (health and social welfare services). Indeed, these complementary services are sometimes inadequate, as shown by the shortcomings of Italian RCHs observed during the pandemic (Gori and Trabucchi, 2021).

Poor coordination between the system levels, misallocation of resources between the different nodes, understaffed and low professionalisation of staff, etc., underscore the need for improved complementary services (Barsanti, 2021). This also holds true for the Italian long-term care sector, which is based on private and public facilities (such as the Public Welfare and Charity Institutions, or I.P.A.B., and facilities directly managed by municipalities). Both are characterised by strengths and weaknesses. Traditionally, public facilities have better intangibles (acquired experience, accumulated knowledge, local legitimacy) and less pressure in terms of return on capital; on the other hand, they are often anchored to bureaucratic logic (Zuccardi Merli, 2002). This may affect the adequacy of organisation and services, management methods and planning, the quality of performance (lack of orientation towards quality) and attention given to cost-effectiveness, as well as the appropriate use of information systems (Zuccardi Merli, 2002; Lecci and Morelli, 2010). Unfortunately, even with private facilities (accounting for more than 65%; ANCeSCAO, 2019), there are shortcomings in the Italian long-term care sector. In fact, there is often a lack of skilled staff and staff training, a suboptimal working climate, a lack of space in facilities, and a lack of technological and protective equipment (Rapporto OASI 2020, 2020; Guaita, 2021). In view of this, structural, technological and standard of care improvements are desirable for RCHs (UNEBA and ARIS, 2020). In particular, despite the presence of barriers (cultural, professional, etc.),

these organisations should be open to the introduction of managerial concepts and tools, as managerial competences are a factor influencing health care performance (Aroni, 2018).

2.2. MCS and SOs

Control is the process of ensuring that a firm's activities conform to its plan and that its objectives are achieved. There can be no control without objectives or plans since they pre-emptively determine desirable behaviour and establish procedures that should be followed by organisation members (Simons, 1995).

MCSs have been defined in different ways, but the diversity of definitions can be divided into two main groups: 1) one that looks at control as one specific function within the several functions of accounting systems and 2) one that defines management accounting as a specific set of tools within the larger set of procedures and processes that compose the package of MCSs (Otley, 1980). However, a MCS refers to the process of influencing the behaviour of people as members of a formal organisation, and it is composed of a diverse set of practices intended to foster congruence between the organisation's strategic and other goals and the organisational actors' goals and activities. In accordance with this view, this paper follows Bisbe and Otley (2004, p. 709), who defined MCSs as «...the procedures and processes that managers and other organisational participants use to help ensure the achievement of their goals and those of their organisations. Furthermore, according to this view, MCSs encompass formal control systems as well as

informal personnel and social controls». Therefore, MCSs concern all tools employed by organisations to manage, motivate, monitor, measure and sanction the actions of managers and employees.

Simons (1995) identifies four levers of formal control mechanisms, depending on their design attributes: 1) belief systems, 2) boundary systems, 3) diagnostic control systems and 4) interactive control systems. Belief systems are an explicit set of organisational definitions that define the basic values, purpose, and direction of an organisation. Boundary systems are sets of rules, indications and proscriptions that delineate the acceptable domain of activity. Central to Simon's analysis is the distinction between interactive and diagnostic control systems. While diagnostic control systems are tools that help in the achievement of an organisations' intended strategies, interactive control systems provide inputs into the formation of strategy. Thus, interactive control systems stimulate and guide emergent strategies in response to threats/opportunities within an organisation's operating environment.

SOs are typically troubled by the use of accounting-financial information. Although they are required to generate this information for tax purposes, its relevance for decision-making is perceived as very low or nonexistent (Broccardo, 2014; Najera and Collazzo, 2021). The literature has identified factors that are obstacles to the adoption of management control tools in SOs, namely:

- limited capital resources (Broccardo, 2014);

- lack of human resources, which are always involved in operative activities (Lavia and Hiebl, 2015);
- lack of managerial capacity (Dyt and Halabi, 2007),
- the perception that management accounting systems are a cause of bureaucratisation and reduce flexibility in the firm (Armitage *et al.*, 2016),
- lack of a managerial system and formalised management of the processes (Jennings and Beaver 1997);
- poor strategic planning (Jennings and Beaver, 1997) and lack of clear objectives (Peters and Buhalis, 2004).

SOs often make a suboptimal use of accounting information because they do not possess the skills to understand the information (Najera and Collazzo, 2021), and the lack of tools frequently leads to deficiencies in the following:

- strategy alignment, verifying the adequateness between the performance indicator and key success factor,
- the development and evolution of business strategy,
- monitoring financial and nonfinancial indicators and process management.

This has caused difficulties that became more evident during the pandemic. Indeed, some authors emphasise that, in SOs, the motivation to think and act strategically and use managerial tools often develops when a firm is in crisis (Najera and Collazzo, 2021).

In conclusion, a number of SOs (even in the health care sector) make limited

use of management accounting tools, and their administration is more intuitive and based on the skills, abilities, visions, and opinions of the owner-managers (Liberman-Yaconi *et al.*, 2010; Broccardo, 2014). However, some SOs are interested in implementing MCSs to improve performance and resilience.

This choice may require significant changes, for example cultural change (Bonciani and Fazzini, 2012). Following Laughlin (1991), changes in organisations can be observed as interactions between tangible and intangible elements of organisations (internal environment) and between organisations and society (external environment). In particular, two types of change influence organisations:

- morphostasis, which occurs when a change in the organisation affects the design archetype or subsystems but does not truly affect the core of the organisation, as there is reluctance from the organisation to accept the change,
- morphogenesis, which implies a change that penetrates deeply into the core of the organisation and brings about a permanent modification of the organisation. This change affects the interpretative scheme of the organisation. Morphogenesis can occur through colonisation or evolution.

Both bring about deep change in the interpretative scheme, but whereas colonisation is a forced change of individuals, evolution is chosen by individuals freely and without compulsion.

3. Methodology and research context

3.1. The interventionist approach and methodological features

The researchers have used the pragmatic constructivist perspective¹ because it is useful in understanding change in practices and procedures (Nørreklit, 2017; Cinquini and Nørreklit, 2022). Considering the difficulties of change in SOs, this study gives attention to the individual and its reality, and through this perspective, it understands the underlying factors behind (accounting) practices and the potential to change them.

To propose, implement and routinise a MCS, we developed an interventionist case study based on a small Italian RCH. The interventionist approach was deemed appropriate for the following reasons:

- given the limited knowledge about the research topic, this approach is suitable because it allows access to a research partner organisation and the collection of exceptionally detailed information.
- it produces practical and relevant research that contributes to «[...] simultaneously solve 'real' problems in social systems and contributes to the basic knowledge of social science [...]» (Jonsson and Lukka, 2006, p. 376).

The interventionist's task is to promote understanding by proceeding analytically and interpretatively, offering perspectives that can docu-

¹ Pragmatic constructivism is based on the thesis that four dimensions of reality (facts, possibilities, values and communication) must be integrated in the actor-world relations if the construct is to be successful as a basis for undertaking actions.

ment, analyse, and evaluate the processes that are ongoing. This enables the participants to see what is behind the current action and thus be able to develop a standpoint on it and, if desirable, change it (Sunding and Odenrick, 2010). This implies «[...] the need for the researcher to cross the border between the etic (outsider) and emic (insider) perspectives – there and back again. This shift between different logics provides opportunities for new insights since the researcher wants to achieve solutions that work in the field and come back with evidence of theoretical significance» (Jonsson and Lukka, 2006, p. 373). While the emic perspective allows the researcher to deeply engage with the field and understand local nuances, the etic perspective provides the opportunity to generalise findings. This iterative process – delving deep into a context (emic), stepping back and analysing with a broader lens (etic), and then diving back in – ensures that the solutions developed are both practical (effective in the field) and theoretically significant (offering wider perspectives that could be relevant in other cases).

Unfortunately, the adopted approach is very demanding in terms of time and effort, and results may still face publication difficulties due to the suspicion that they derive from consulting services that produce only descriptive and atheoretical studies (Lukka and Suomala, 2014). Thus, the interventionist approach is often criticised as somewhat unscientific and subjective (Jonsson and Lukka, 2006), although Eriksson and Kovalainen (2015) argued that researchers' subjectivity forms part of the interpreta-

tion and is not widespread in various disciplines (such as accounting or management) (Lukka and Vinnari, 2017).²

To compensate for this deficiency, this intervention followed Sunding and Odenrick's approach (2010) and involved further researchers as external observers and discussants to balance the emic³ and etic perspectives and limit the nonneutral nature of the adopted approach (Jonsson and Lukka, 2006; Dameri and Ferrando, 2021). Thus, the analysis is based on joint reflections (in part among researchers, in part with the participants), interviews, notes and observations.

Among the different interview types, we chose to carry out problem-centred interviews (Witzel, 2000), as they focus on the experiences, perceptions, and reflections of the interviewees on specific matters and can stimulate a free narrative (Holle *et al.*, 2014). This approach is useful not only for collecting data and comments but also for inducing change towards a measurement culture and promoting the proposed tool since those involved can become promoters with colleagues

² Based on Jonsson and Lukka (2006) and Suomala and Lyly-Yrjänäinen (2011) several factors hinder its adoption:

- acceptance of the researcher as a competent and trustworthy member inside the organisation. This is crucial both to understanding the meaning and behaviour of the actors in the field and to enabling the researcher to communicate and act alongside the members of the company,
- availability of time. The completion of a study can take 3 to 6 years, which can be an issue for academics in many ways (publish or perish pressure),
- preserving business secrets and/or privacy. This may be particularly relevant in organisations working in certain sectors (e.g. defence or health care),
- operational challenges. Small organisations may not have the staffing or resources to engage with academic researchers and may not have suitable data collection and reporting.

³ The first author had extensive periods in the analysed RCH (especially before the Covid pandemic, 2020-2021), attended meetings of the board and was allowed access to all documentation.

(Latorre *et al.*, 2021). The formal interviews were initiated through a common set of general questions, but the aim was to allow interviewees to express their views in their own words. The interviews lasted between one and three hours and were recorded and transcribed.

In addition, many informal discussions took place, and written notes were taken and discussed by the research team.

Overall, the elements relevant to the intervention were noted in a research diary concerning the brainstorming sessions and research objectives iteratively identified, the observations and impressions gathered after each interview, the key e-mails received or sent, and the interventions conducted and their effects.

The intervention was based on a series of preliminary analyses and data collected, and following Otley (1980) (congruence between MCS and contextual factors), the researchers identified the key design features of the MCS as follows:

- alignments among an organisation's strategic objectives consistent with the overall mission of the organisation (Kaplan and Norton, 1996),
- identification and monitoring of specific metrics (Table 2) that reflect progress towards achieving organisational goals (Fig. 3), flexible enough to adapt to changes in the organisation's strategy, structure, and external environment (Otley, 1999),
- evaluate the metrics attained by conducting regular performance reviews and providing feedback (Merchant and Van der Stede, 2017),
- focus on the organisation's culture and behavioural aspects of employe-

es to motivate and incentivise desired behaviours (Anthony and Govindarajan, 2007),

- ethical considerations to ensure that the MCS promotes ethical behaviour and compliance with regulations (Langfield-Smith, 2008).

3.2. Elderly care in Italy

System organisation

The Italian welfare system did not originate from an organic model (as in the case of the National Health Service) but was the result of repeated legislation and additions to the existing system (Spano and De Pietro, 2006; Fosti and Notarnicola, 2018).

From a governance perspective, the complexity of the welfare system is fuelled by the multiplicity of actors involved. At the central level, the government⁴ determines the policies and guidelines for the welfare system. At the local level, the regions translate ministerial guidelines into programmes and establish priorities and a network of delivery systems. The planning of services and care is subsequently also the responsibility of municipalities⁵ with regard to the social component and the ASLs (Azienda Sanitaria Locale, the local health authority) in relation to social and health delivery. Municipalities, ASLs and the INPS (the state national insurance system) also have the task of assessing needs and defining and applying criteria for accessing support for

⁴ This is done primarily through the Ministry of Labour and Social Policies and Ministry of Health, especially with regards to social and health services.

⁵ This term is used here as it is generally appropriate in the Italian context in that it refers to the lowest level of local government with specific responsibilities for care of elderly individuals.

vulnerable groups. The presence of numerous institutions at different levels of government contributes to substantial fragmentation in the allocation of skills and resources that, over time, has resulted in ineffectual attempts to rationalise existing administrative and organisational systems (Lecci and Morelli, 2010; Fosti and Notarnicola, 2018; Barsanti *et al.* 2022).

The Italian elderly care system is also characterised by high levels of complexity and fragmentation. The actors providing assistance and the type of management involved are very heterogeneous. There are facilities directly managed by public institutions and charities municipalities and joint consortia and/or companies between local authorities, private profit, not-for-profit organisations and ASLs. However, the services available for vulnerable elderly peo-

ple fall into three main categories: home-based, residential, and semi-residential (Fig. 1).

Each of these categories addresses different levels of need, ranging from minimal intervention in the individual's home to full-time care in a residential setting. The choice among these options depends on the level of autonomy and care required by the individual. However, these facilities often assume multiple roles, possess differing characteristics, and accommodate elderly people with different degrees of autonomy. For each type of care facility, Law 328 of November 8th, 2000, has established structural standards (number of beds, organisation of spaces and access, type of rooms and collective services, etc.) and organisational and management features in terms of equipment and types of staff.

Fig. 1
Categories of services for vulnerable elderly people

Home-based Provision	Residential Care Homes	Semi-Residential Care Homes
<ul style="list-style-type: none"> Home-based Provision involves care provided directly in the individual's home. It typically falls under the jurisdiction of the local ASL and municipality. Services include nursing and other health-related care, administered by health workers or nurses. Home-based provision is suitable for individuals who can stay in their own homes but need some level of medical or personal care. Where this type of facility is not possible, or appropriate, there are RCHs. They can be defined as extra-hospital structure which provide health care (medical, nursing and rehabilitation) supplemented by a high level of personal care and residential assistance. This type of facility can provide residential and semi-residential services. 	<ul style="list-style-type: none"> Residential Care Homes offer a combination of healthcare (medical, nursing, and rehabilitation) and a high level of personal and residential assistance. They provide a more comprehensive care package than home-based services, including full-time accommodation and personal care. These are facilities with hotel-like features where vulnerable individuals can live temporarily or permanently. They are suitable for those who need continuous care and cannot live independently. 	<ul style="list-style-type: none"> Semi-Residential Care Homes cater to individuals who need care and support but do not require the full-time residential care provided by RCHs. Typically, these services include daytime care in facilities like Day Centres, where elderly people can receive care and support while maintaining some level of independence. This option is ideal for elderly individuals who are mostly autonomous but need some assistance and social interaction during the day.

Facilities and pandemics

There are approximately 6,500 facilities for elderly people in Italy (Atti, 2017). Through an analysis of their legal status, only 14% of these were directly managed by municipalities or associations and consortia or other organisations. Approximately 70% of the homes were managed by private organisations but within this cluster, there was a multiplicity of different legal bases.⁶ Finally, a small role was performed by voluntary associations (1.2%) and foundations (5.9%). There was no information available concerning 10% of the homes.

Considering the size of the RCHs, 43.4% of the facilities had fewer than 50 available beds; thus, they were micro- to medium-sized (10.3% offered up to 20 beds, 33.1% from 21 to 50 beds). A total of 38.9% of the facilities had between 51 and 100 beds, and 17.7% had more than 100 beds (Atti, 2017). Overall, the system is based on small and very small RCHs, which often involve family management and are characterised by staff and managerial shortcomings and inefficiencies. Some studies have claimed that the sector's economies of scale are limited due to the weight of direct health care costs compared to general and administrative costs (Norton, 2000; Pesaresi and Simoncelli, 2008), whereas other analyses have noted that profitability grows as turnover increases (UBI Banca, 2019). However, there is consensus that good economic performance occurs with medium-sized facilities. In particular,

⁶ The largest part (38.2%) consists of for-profit institutions, while 23.5% can be classified as ONLUS (a specific type of not-for-profit organisation serving a purpose of social value). Other relevant groups include social cooperatives and religious-based facilities.

a cost-effective facility size has been estimated to be between 50/60 beds and 80/100 beds (IreR, 1999; UBI Banca, 2019). Consequently, smaller facilities may not be economically optimal. In addition, some limitations are due to the inclusion of volunteers (those who do not have high training and time availability) and part-time staff. Indeed, in Italian social and welfare residential facilities, more than 55% of office workers are part-time employees, and only half of the directors are full-time employees (ISTAT, 2022).

Based on the analysis of the 2015-2017 financial statements of 702 for-profit and 569 not-for-profit organisations (UBI Banca, 2019), different EBITDAs were found: in the for-profit organisations (between 9% and 14% of revenue) and in the not-for-profit organisations (between 4-5% of revenue). In the case of for-profit organisations, costs are optimised by outsourcing a large part of the services. In not-for-profit organisations, performance is influenced by personnel costs, which account for 54-56% of revenue.

Overall, small not-for-profit RCHs appear to be the most economically vulnerable, and this is a serious problem:

- when they are in areas far from major urban centres because alternatives for vulnerable elderly people are scarce,
- Italy has the highest elderly population in the EU, as approximately a quarter of Italians are older than 65 years.

The pandemic has highlighted the weaknesses of the Italian system, especially the vulnerabilities of smaller

facilities. During the pandemic, 6800 deaths occurred in the RCHs (De Girolamo *et al.*, 2020). COVID-19 required substantial investments and incurred unforeseen costs (e.g., sanitation of premises) to protect the staff, guests, and visitors to the RCHs. To operate safely and legally, they need to recruit both administrative and socio-health staff, which are often in short supply and lack appropriate training. COVID-19 has also generated increased requests for information regarding the state of RCHs from the family members of guests, workers employed and local authorities. Very often, these needs were not fully met. In brief, several Italian RCHs (especially SOs) were unprepared, lacked sufficient resources and management, had little capacity to handle critical issues and were at risk of collapsing (De Girolamo *et al.*, 2020; Barsanti *et al.*, 2022). To produce change in a practical context (improvement of business resilience/performance and managerial skills), the intervention technique represents a good option, as it is effective at facilitating efficient learning processes in the operational team (staff education) and fostering positive changes in the target organisation. In addition, the support of the interventionist can create and disseminate (papers, workshops, etc.) new knowledge on practical problems and provide solutions applicable in similar contexts.

3.3. Research case and working plan

The case of Gamma⁷ is valuable because it represents the typical small RCH located in an inner area in north-

⁷ Gamma is the name given to the analysed RCH for confidentiality reasons.

ern Italy. Gamma has been operating since 1960 and has a total of 49 beds with various common areas. The average age of guests over the last 6 years was approximately 86 years.

In 2003, Gamma was refounded as a not-for-profit foundation and is currently a member of the local municipality. Gamma's stated mission is the achievement by guests of the highest possible level of health (physical, mental, and social well-being). The principles that lead Gamma activities are the following:

- respect for personal dignity,
- impartiality and equal opportunities,
- transparency,
- protection of workers' rights,
- quality of performance.

Gamma is directed by a board of directors made up of 5 members, one of whom is the elected president and legal representative. The RCH is managed by an administrative director. He is accountable for his work to the president and the board of directors who represent the political-administrative body of the RCH.

Today, 21 professionals, including nurses, social welfare service personnel and general service staff, work in the RCH. Gamma also uses external professional figures such as physiotherapists, neurologists, psychologists (for guests and staff) and external consultants for technical assistance.

In 2015, when the newly installed municipality council took over the finances of Gamma, annual reports showed that the RCH was facing high levels of debt (especially in the medium-long term) in the context of negative economic results (Table 2). Share-

holders' equity value was close to zero, total assets were approximately 2 million euros, and turnover was approximately 1.2 million euros, although debt levels were high but stable at approximately 50%. The EBITDA and EBIT were approximately zero, mainly due to the high cost of services and personnel. Although there were no major liquidity problems (because the local government pays on time), the business was at risk of facing economic sustainability issues, potentially affecting the well-being of its guests and employees.

In view of this, the first action of the municipality council was to appoint a new board of directors, which understood that it was necessary to introduce some management control tools to support strategic planning and improve Gamma's resilience. To this end, the board needed guidance and decided to collaborate with the University of Naples "Parthenope". Before starting the collaboration, a formal introductory meeting was held with

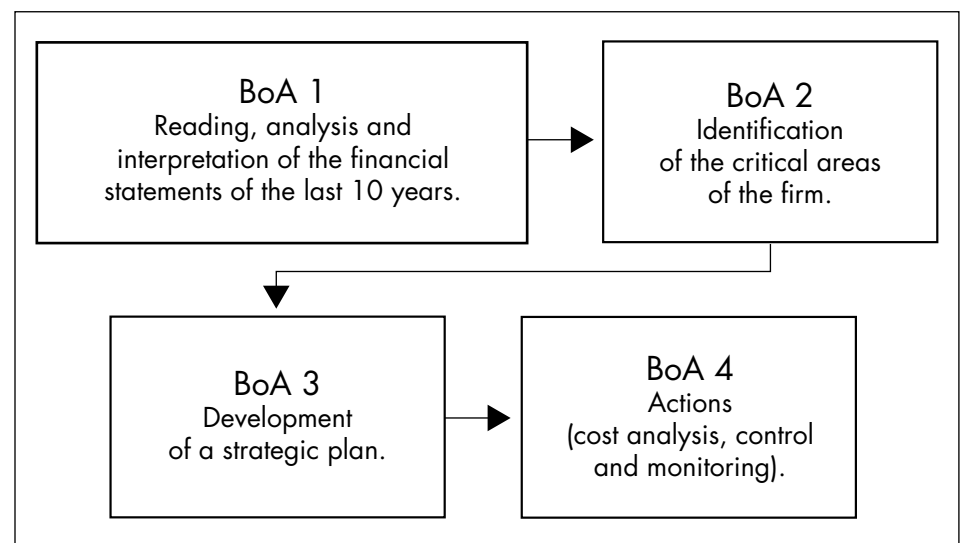
the Gamma board, in which the president explained the company's needs and future plans.

«This residence has great potential; unfortunately, it simply survives. For this reason, we need a tool to measure and report economic and financial performances in a very specific and detailed way, fitting to our information needs.» (President; Authors' translation).

The researchers, in a second meeting, described the intervention technique and the steps inherent in such a project. In conclusion, the Gamma board confirmed its understanding of the research method and its willingness to proceed. This meeting generated inclusion and valuable cooperation with Gamma's president, which subsequently acted as the facilitator between the member organisations and the researchers, simplifying access to the data (Latorre *et al.*, 2021).

As a first step, the researchers designed a working plan composed of four sequential blocks of activities (BoA) (Fig. 2).

Fig. 2
Working plan



After reviewing the financial statements of the previous 10 years and noticing the complete absence of cost analysis, liquidity monitoring and KPIs, the researchers decided to design a basic MCS and implement it progressively. In particular, starting from Simons' classification (1995), the investigators focused their attention on diagnostic measurement systems, with the final aim of implementing an interactive system in the future. The investigation revealed inefficiencies and unmonitored expenses, underscoring the importance of a structured approach to financial oversight. The selection of KPIs was driven by the need for strategic financial management and operational efficiency improvements. Consequently, critical financial and operational metrics were identified to support Gamma's turnaround strategy.

To design a valuable MCS, the investigators needed to identify Gamma's weaknesses. For this purpose, they not only relied on financial statement data but also gathered information by involving stakeholders, mainly staff and guests. In particular, a researcher had contact with staff over a six-year period (2016-2021), and several interviews were held with accounting, medical and operational staff.

4. Main results

After the first block of activities, the researchers realised that expenses and investments had historically been managed, with little weight being attached to them; for example, the benefits in relation to the costs incurred were not considered. In particular, the researchers focused on KPIs to determine the first informed

judgement about RCHs' financial health.

Solvency and liquidity ratios (such as the solvency ratio and debt-to-equity ratio in the first case and the current ratio, the quick ratio, receivable turnover, and payable turnover in the second case) were analysed (Table 2). Furthermore, although Gamma is a not-for-profit RCH, the profitability ratios were not acceptable. Thus, some meetings with the board members and the administrative director were organised (BoA 2, Fig. 2) to show the results, comment on them and identify critical areas (this laid the foundation for the creation of the working group).

The intervention continued to develop a strategic plan (BoA 3, Fig. 2). This phase was difficult because strategic issues were not familiar to Gamma's members. After several meetings and informal discussions, a list of main strategic goals (RCH managerialisation, implementation of a financial strategy, process, and quality improvement) was defined in accordance with ethical principles, mission, and values. The researchers and the working group (BoA 4, Fig. 2) identified some costs attributable to waste and inefficiencies that could be eliminated or significantly reduced. Most of the inefficiencies were of a recurring nature, and to highlight the usefulness of these cuts, the researchers prepared and periodically shared with Gamma members a simple report on the savings achieved (known in Gamma as the savings table; Table 1). In particular, the investigators first reviewed the contracts relating to electricity, telephone and gas supplies and proceeded (supported by the board) to renegotiation, requesting more favourable

rates, with annual savings of approximately 5% of the total operating costs. In addition, medical visits in the facility and entertainment activities – rated very useful by the interviewees – were optimised, and this generated additional savings and increased guest satisfaction.⁸ At the end of 2016, savings in ongoing expenditures exceeded more than 9.500 euros (Table 1), and the bank account balance improved from the previous year. Of these savings, almost 4,000 euros were attributed to the lower costs deriving from the renegotiation of utilities (the first 4 rows of the table), while the remainder was attributable to the achievement of greater efficiency and effectiveness in the provision of some services.

Thereafter, the working group continued to regularly analyse the costs and available options (i.e., in 2017). The working group noted the convenience of outsourcing the canteen service to a cooperative, leading to a cost decrease

⁸ Previously, the animation was outsourced and limited to 2 hours per week. Subsequently, this service was provided (completely free of charge) by local volunteers. The guests truly appreciated this change, because it involved going from 2 hours a week to 3 hours a day of activities.

of approximately 2,000 euros per month (Table 1), drawing up a table (see Fig. 3) at the end of the year showing whether and how the strategic targets had been met.

Given the savings achieved and considering Gamma's high level of debt (see the debt-to-equity ratio of approximately 16 and the debt-to-total assets of approximately 0.80), the board's first goal was to restructure the debt. Over a two-year period, the residence paid off its bank debt before maturity, thereby saving further financial charges. At the end of 2021, all long-term debts were extinguished, and only trade debts remained; these debts were insignificant considering the income and revenues of the structure. The current and quick ratios significantly increased, highlighting the absence of liquidity problems due to the availability of cash originating, for instance, from the elimination of inefficiencies (Table 2). An improvement in management can also be seen in a decrease in receivable turnover, which indicates Gamma's greater speed in the collection of income (from 70 to 13 days due to a renegotiation of time payment with the local ASL) in con-

Table 1 – Savings realised (€) compared to 2015 costs

Items	2016 (from May)	2017- 2018	2019- 2021	Total
Telephone services & internet connection	2,040	6,120	9,180	17,340
Utilities (electricity, gas)	2,320	6,960	10,440	19,720
Main services (optimisation of medical visits and delivery services, outsourcing of canteen service)	1,980	59,520	89,280	150,780
Other services (i.e. animation)	3,200	19,200	28,800	51,200
Interests on loans saved		26,400	61,200	87,600
Total	9,540	118,200	198,900	326,640

Table 2 – Gamma KPI evolution 2015-2021

KPI	Formula	2015	2016	2017	2018	2019	2020	2021
Debt to equity ratio	Total Liabilities/ shareholders equity	16.31	13.20	10.45	8.67	4.34	2.10	0.01
Debt to total assets ratio	Total Liabilities/Total Assets	0.79	0.62	0.45	0.33	0.21	0	0
Current ratio	Current Assets/Current Liabilities	0.86	1.54	1.92	3.30	5.84	6.49	6.50
Quick ratio	(Cash + Accounts Receivables)/Current Liabilities	0.83	1.53	3.05	4.79	4.35	4.21	5.83
Receivables turnover (in days)	Account receivables/sales x 365	70	65	40	32	25	15	13
Payables turnover (in days)	Payables/total purchasing x 365	60	60	62	62	65	61	63
Return on Assets (%)	Earnings before Taxes/total Assets x 100	-9.0	-8.0	-3.2	1.2	3.5	6.0	10.0
Return on Equity (%)	Earnings before Taxes/ shareholders' equity x 100	-15.0	-13.0	-10.0	0.9	1.4	3.6	6.6

junction with an increase from 60 to 63 days in the settlement of monies owed. In addition, both the ROE and ROA increase sharply, from initially negative values (until 2017) to then increase and exceed 6%, mainly because the profit that RCH started to achieve was mostly due to cost control activities.

To maintain satisfactory service during the pandemic period with the necessary compliance with the health rules imposed by law, Gamma had to face unforeseen costs. For example, those relating to individual protective devices and sanitising gels or concerning two additional staff to support the activities of nurses. These expenses exceeded 60,000 euros in 2020 and 2021 (Table 3). These economic improvements made it possible to adopt all the planned anti-COVID-19 procedures, and until December 2021, there were no cases in the RCH. Despite these unexpected expenses, the KPIs in Table 2 improved.

Table 3 – Additional costs of the pandemic (€)

Items	Total (2020-2021)
Staff costs	80,000
Gel	11,200
Masks	8,300
Gloves	6,600
Disinfectant	10,000
Gowns	6,000
Total	122,100

Of course, the intervention was not only focused on cost reduction; due to the freed-up resources and more widespread managerial culture, several benefits were achieved, and many of the objectives were set (Fig. 3). For example, resource allocation, internal coordination, communication, service quality and RCH performance improved.

The improvement in KPIs (as highlighted in Table 2) despite increasing COVID-related costs can be attribut-

Strategic goals to attain	Goals attainment
RCH managerialisation	Preserving and improving managerial skills in RCH governance. Strengthening employees' capabilities to ensure the successful provision of high-quality services.
Implementation of a financial strategy ensuring the long-term stability of the organisation	Maintaining a prudent and responsive approach to cost management across all elements of expenditure, using a strategic procurement approach where relevant. Debt containment, especially long-term, and improvement of the overall financial situation.
Process improvement (communication and reporting)	Work towards a shared set of priorities across the organisation enhancing communication and ensuring that content is accessible and useful for stakeholders. Amplifying the voice of the people who use RCH services. People who use RCH services were supported to collaborate, campaign and influence decision-makers. Improving external communication (drafting a social report) (not yet attained).
Quality improvement (social and health care, guest comfort, safety)	Activation of an agreement with the local university to host interns (agreement activated with the local university to host Psychology students as interns). From December 2016 greater socio-health assistance in the afternoon provided by local volunteers. Improving guest comfort (e.g. by installing a blackout system on room windows). Compliance with anti-covid procedures (adequate provision of protective devices and sanitising gels.). Development of a new menu prepared by a nutritionist (not yet attained).

Fig. 3
Goal attainment

ed to several strategic and operational adjustments made by Gamma. The selected KPIs facilitated a new managerial culture within Gamma, focusing on regular performance reviews, feedback sessions, and strategic planning. Thus, the KPIs selected were not just metrics but strategic levers that enabled Gamma to align financial performance with quality care outcomes. The management adopted a proactive approach by integrating regular performance review feedback sessions and strategic planning, which were

not solely focused on cost reduction but also on optimising resource allocation, improving internal coordination and communication, and enhancing service quality, which collectively contributed to better financial health and operational outcomes. This holistic approach allowed Gamma to not only absorb the unforeseen costs but also to enhance its overall financial stability and service quality, thereby reflecting positively on the KPIs despite the challenges posed by the pandemic.

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5. Narratives and discussion

The increasing requirement and use of accounting information to make decisions in house have led to major cultural changes and firm transformations (Knights and Willmott, 1993). Thus, the introduction of a MCS, where one does not already exist, entails important changes in routine activities and in the way a company is managed (Francioli and Quagli, 2021).

In accordance with this, there were varied reactions among Gamma's members about accepting the participation of the interventionists and how the usefulness of the intervention was viewed. During the introductory meetings, the interventionists felt that people listened politely, yet some gave the impression that this was an unavoidable act given Gamma's critical situation.

«I was quite skeptical about this project. The balance sheet of the RCH was very poor, and the risk of closure increased. We did not quite know how to move; only the president has some knowledge of economic matters.» (member 1, Board of directors)

On the other hand, some participants showed interest but interpreted the information offered by the MCS as peripheral activity with nothing directly connected to their activities. Slowly, the attitudes of the participants changed. This was mainly facilitated by three factors:

- the support of leading board members plays an important role in organisational change. In particular, the renewal of the board of directors (who could rely on a member with expertise in accounting and other members with excellent knowledge

of local social issues) supported both the definition of strategic goals and the implementation of the planned MCS,

- the interventionists' willingness to involve several people in the working group and foster acceptance of the designed MCS,
- the change in the communication process. Gamma changed its communication strategy (until then not evaluated) by undertaking different actions, for instance, organising:
 - team meetings for project updates. In focused team meetings, the working group communicates the progress of the project to team members who provide feedback and discuss the next steps, facilitating a two-way communication process,
 - performance review meetings. The working group discusses the organisation's performance, providing feedback and setting goals for the next period. The staff members also share their views and concerns. This is a bilateral communication process in which both parties exchange information and feedback,
 - customer feedback collection. The working group launches a survey to collect customer feedback. This analysis helps the organisation align its services with customer expectations,
 - employee suggestion box. An anonymous physical suggestion box is provided for employees to share their ideas and concerns.

The holding of regular internal meetings proved crucial to the creation of a united and cohesive working group with a common goal and identification of critical issues.

«The intervention highlighted the importance of communication in a company, often taken for granted. Furthermore, being able to understand how cutting some costs can allow the investment of saved resources in support activities for guests, increases awareness and attention towards costs.» (member 3, Board of directors).

A more or less participatory approach could be followed for MCS implementation. Although colonisation is the most frequent approach, this investigation chose evolution because a collaborative, participative approach has a primary concern of facilitating a common organisational vision based on shared values through free open discussions to attain permanent change (Laughlin, 1991). In addition, since one of the most common obstacles to organisational change is employee resistance (Stojanovic Aleksie *et al.*, 2014), the intervention followed a gradual MCS implementation.

Gradualism fits well with the complexity of these settings, and this approach has allowed for acceptance by board members, administrative employees and staff, confirming Laughlin (1991). In accordance with gradualism, the researchers prepared very simple and extremely intuitive reporting tools, such as the savings table (Table 1), to help people appreciate the usefulness of the control activity, instil cultural transformation and gradually metabolise the changes. Although the proposed tools are simple, the developed system is useful. The most effective tools are those that can represent the actual work of an organisation and are simultaneously usable by all individuals (Greenwood *et al.*, 1988).

Gamma's members (especially those with fewer accounting skills) understood that behind every cost reduction, there is a specific analysis, and many of the improvements achieved were related to updates and cost controls (which were previously not carried out regularly) and improved communication. The following quotes can be considered positive signals about the routinisation of certain practices.

«At first, I was not happy with the intervention of the researchers. Then, they involved me in their analysis; they also asked for my opinion regarding strategic issues. It was a very stimulating experience from which I came out changed, more involved in everyday activities.» (Administrative director)

«The board of directors needed to review some costs to evaluate a possible cut concerning maintenance services of which they had no specific knowledge. They consulted us since we regularly dealt with these activities. This was the first time they asked for our opinion. Now, it is a regular practice, and it has contributed to improving relations with the board that were previously nonexistent.» (Staff member)

The visibility of the achieved results (Tables 1, 2 and Fig. 3) has encouraged and compelled the working group to analyse data for the adjustment of Gamma's behaviour, confirming Bruesch and Quinn (2022). The potential of management accounting tools emerged, and board members perceived that the MCS led to a new vision based on planning and on the need to achieve efficiency, effectiveness and transparency.

«The emergency due to the pandemic was a very delicate moment for us. It was necessary to create a closer relationship with the workers but also with the guests to understand together what to do and how to survive. We have created more opportunities for dialogue, which has proven to be fruitful. The pandemic brought us together, and this union has remained even since.» (member 3, Board of directors)

«The intervention brought about a cultural and organisational change in Gamma. Since 2016, we have regularly held meetings, even informal meetings, to discuss and review strategy, check costs, and select which investments to make for the well-being of our stakeholders. The next step will be to start tracking specific nonfinancial KPIs.» (President)

The MCS allowed Gamma to have previously unavailable information, which is valuable in terms of the following:

- relevance, as the information provides decision-making elements to the board for the correct interpretation and evaluation of critical management variables;
- conciseness. The municipal council is presented with data of an aggregate nature, representative of the general picture.
- controllability. The information provided directs the recipient's attention to the variables subject to control.

As noted by Laguir *et al.* (2022), MCSs enable firms to foster information exchange and manage environmental uncertainties. This study confirms this finding. The pandemic has severely stressed many companies,

especially SOs, but owing to the cash flow from the cost analysis, Gamma was able to bear unexpected expenses (preventing insolvency and firm crises) and ensure adequate safety standards for elderly people and staff members.

«The more careful and efficient use of resources has resulted in a good liquidity present in the account at the onset of the pandemic. This made sure that there were no problems in investing resources to fight the virus because the money was there.» (President)

Overall, this research revealed that the implementation of a MCS should not be approached hastily, particularly in organisations lacking a strong corporate culture, and that management support and internal communication are crucial. Although it extended the timeline, the creation of a participatory process and gradual implementation proved to be a winning factor, not only for the acceptance of the tool but also for the assimilation of new management practices by most of the staff, contributing to the creation of a sense of common belonging and real sharing of corporate values. In this sense, the Gamma case shows that the development of simple and intuitive reporting tools for users supports change. These are the main aspects to be emphasised, along with the involvement of academics (generalisation of results). The latter usually act on different terms than consultants do, and this aligns well with a long and gradual implementation process, not only for the economic sustainability of the project but also for the working group members' awareness of having reference points during the stages of the journey.

6. Conclusions, limitations, and future research

Achieving efficiency in RCHs is highly important in terms of the collective good. First, a more rational use of the available inputs can make it possible to free up resources that RCHs can allocate to improving services.

This study aimed to analyse the managerialisation process through which a small RCH's understanding of MCSs may have an impact on the decision-making system and how this system and its tools can affect the organisation's culture and resilience.

The intervention led to the design and development of a MCS, which made the following possible:

- develop a business strategy,
- monitor costs and investment decisions,
- identify company strengths and weaknesses,
- disclose and report management and economic results to stakeholders to operate effectively in territorial strategies.

In conclusion, although there is an initial tendency for decision-making in SOs based on preference and instinct rather than on logic and a low propensity to control, evidence from this study shows that the potential for success increases when managerial tools are developed in a participative and gradual manner.

This investigation has several limitations related to the adopted research method. First, the interventionist approach may have influenced the results, which may be affected by subjectivity. Second, the selected method makes it very difficult to develop a

multiple case study, as the interventionist approach is very time-consuming and labour-intensive. In particular, considerable company involvement is needed, and a strong investment is needed in the early stages of the intervention compared with the utilisation of consultancy. Consequently, the paper has typical single-case statistical generalizability limitations. However, our work aims at analytical generalisation (i.e., a type of generalisation that starts from facts and arrives at extrapolations that are valid in a context due to the plausibility and cogency of the reasoning used in drawing conclusions from case results; see Walsham, 1993), and it can be considered – given the scarce number of works on the managerialisation of RCHs – a starting point for further research.

From this perspective, our extrapolations can be refined and expanded upon through subsequent studies. The insights gained from the investigation could be useful in future applications of MCSs in SOs, particularly those located in peripheral areas and less attractive to people with high managerial skills, contributing to improved business resilience and generalisation of results.

The choice of gradualism and a participatory approach influence the timing of MCS implementation and development. In future research, it would be interesting to test a different implementation strategy (following a big bang implementation and/or less participatory approach) to compare the results, advance knowledge in this area, and develop interventionist research, which is both a methodological approach for collecting detailed empirical data and a vehicle for creating fruitful relations between academia and firms.

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