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The Role of Stakeholders in Accounting of Private Patrimonies: The Management Of The Osuna Ducal Estate (1590-1633)

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PATRIMONIES: THE MANAGEMENT OF THE OSUNA DUCAL
ESTATE (1590-1633)***

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Abstract

The main aim of this paper is to test the validity of the stakeholder approach in a historical context (16th and 17th century), very different to the one in which the theory was originally developed and has normally been used. For this purpose, the paper deals with management in the Osuna Ducal Estate at the end of the 16th century and beginning of the 17th century. In that period, the Ducal Estate reached such a high level of indebtedness that creditors could not even collect the interest on their loans. This led them to lodge a complaint with the Crown and consequently, as of 1590, the Ducal Estate patrimony was seized by the Government. Since the changes that occurred in the ODE patrimony were promoted by creditors and the Crown, the stakeholder approach has been applied to analyse the case. We can conclude that stakeholder approach is sufficiently able to explain the changes that took place in the management of the Osuna Ducal Estate in the 16th and 17th century and, mainly, the role of accounting in these changes.

Keywords: Accounting History, Stakeholder Approach, Aristocratic Accounting, 16th and 17th century

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THE ROLE OF STAKEHOLDERS IN ACCOUNTING OF PRIVATE PATRIMONIES: THE MANAGEMENT OF THE OSUNA DUCAL ESTATE (1590-1633)

1. Introduction

“The stakeholders approach is about groups and individuals who can affect the organization and is about managerial behaviour taken in response to those groups and individuals” (Freeman, 1984, p. 48). This definition by Freeman can be considered the first step in the stakeholder approach. In order to identify stakeholders, Freeman added “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (1984, p. 25).

Stakeholders approach has been used in accounting research, especially for the study of the social and environmental accounting, and fundamentally for cases of organizations with spirit of profit. Nevertheless, its validity has not been tested for the analysis of the role of accounting in private patrimonies.

Besides, the stakeholder approach has not been used frequently to study historic cases. We can quote two recent studies: i) the paper by Chandar and Miranti Jr (2007) on the process of firm-specific learning relating to the development of actuarially based pension accounting at the Bell System in the USA from 1913 to 1940 and ii) the work by Cámara et al. (2009) on the evolution of annual reports of the Spanish Tobacco Monopoly between 1887-1986 as answer to the changing requirements of the stakeholders.

This paper deals with changes happened in accounting and management in the Osuna Ducal Estate (hereinafter ODE), one of the most important Spanish Aristocratic organizations, during the end of the 16th century and first part of the 17th. Thus, the case

allows to us to test the accuracy of stakeholder approach to explain changes in accounting and management in private patrimonies and in historical contexts.

Aristocratic organizations were one of the more important private organizations in the history of the Spanish economy. In the epoch of the first three Austrias the king, the clergy and the nobility were possessing 95 % of the land in Spain (Reglá, 1974). In this way, 40 % of the land in Andalusia in the 17th century was in aristocrats' hands (Bernal, 1983). In addition, Aristocratic Estates involving the transfer of public competitions in matters of administration and government, justice and taxes (Atienza, 1987). So, Aristocratic Estates were forming a part of the gear of the "State system" in the Spain of the 16th and 17th century.

However, little research has been conducted into the management of aristocratic estates as several authors have pointed out (for instance, Ezzamel, 2002; Hernandez Esteve, 2008). As far as Spain is concerned, Hernández Esteve (2005) pointed out that, in spite of its interest, accounting of the Aristocratic Estates and of landowners continues being a "minimally explored" topic.

At the end of 16th century, ODE reached such a high level of indebtedness that creditors could not even collect the interest on their loans. This led them to lodge a complaint with the Crown and consequently, as of 1590, the Ducal Estate patrimony was seized and managed by the Government. Therefore, the Government set out a series of the rules to manage the ODE patrimony. However they did not manage it directly but rather auctioned it off publically or appointed administrators.

Since the changes that occurred in the ODE patrimony were promoted by creditors and the Crown (agents who can influence on and be influenced by the organization, ODE), we have used the stakeholder approach has been applied to analyse the case. From its

analysis, we can extract that stakeholder approach can be used to explain the role of accounting in the management of private patrimonies and in a very previous historical period to in that till now it has used.

The primary sources used in this research had been taken from the National Historical Archive, Nobility Section, (hereinafter SNAHN) housed in the Tavera Hospital, Toledo, and the Public Archive of Osuna in the collection from the Rodriguez Marin archive (hereinafter AMO).

2. The Identification of Salience of Stakeholders

Mitchel et al. published in 1997 a paper aimed to formulate a theory of stakeholder identification and salience able to explain to whom and to what managers actually pay attention. That paper constitutes the theoretical basis used in our work. Michel et al. (1997) indicated that the three key attributes of a stakeholder are urgency, legitimacy and power. Depending on the combination of these factors, managers will have to pay more or less attention to a stakeholder.

In order to define power, these authors follow Dahl, 1957, Pfeffer, 1981, and Weber, 1947, describing it as “*a relationship among social actors in which a social actor, A, can get another social actor, B, to do something that B would not have otherwise done*” (ib., p. 869). Within their framework, they use the legitimacy definition offered by Suchman: “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (1995, p. 574 quoted in ib., p. 866). Urgency is defined in the aforementioned paper as “*the degree to which stakeholder claims call for immediate attention*” (ib., p. 869).

The key contribution of Mitchell et al. is the addition of urgency to the list of stakeholder attributes in order to change the model from static to dynamic (ib., 867). Moreover, these authors pointed out several additional features of the attributes. First of all, they are variable, not a steady state. They can be gained and they can be lost. They are socially constructed rather than objective realities. Finally, neither the stakeholder nor the managers are always conscious of their attributes. Even if such awareness exists, there is not always a wilful exercising of these attributes (ib., 868).

Based on these attributes, Mitchell et al. drew up a classification of stakeholders. It is remarkable that the point is not the existence or not of the attribute but rather the managerial perception regarding the existence of these attributes. Thus, they define latent stakeholders as those for which the manager perceives the presence of only one attribute. Expectant stakeholders are those for which the manager perceives the presence of two attributes. If the manager perceives the presence of the three attributes, stakeholders are named definitive stakeholder.

The dynamism of the model allows for stakeholders to change their position in the previous classification by gaining or losing attributes. In the first two categories, the authors establish sub-sets depending on the perceived attributes. Specifically within the category of expectant stakeholders, they distinguish:

1. Dominant stakeholders. When the manager perceives the presence of power and legitimacy.
2. Dependant stakeholders. When the manager perceives the presence of legitimacy and urgency. They are called dependant because their lack of power means they need the help of other groups/individuals (manager or stakeholder) in order to achieve their objectives.

3. Dangerous stakeholders. When the manager perceives the presence of power and urgency. The absence of legitimacy usually leads to the use of violent and coercive measures.

As far as latent stakeholders, they distinguish: dormant stakeholders if only power is perceived; discretionary stakeholders when their only perceived attribute is the legitimacy; and demanding stakeholders who are those for which urgency is the only perceived attribute.

The authors propose that the salience of a stakeholder depends on the combination of attributes perceived by the managers (ib. 873). Thus, the level of salience will be high for definitive stakeholders, medium for expectant stakeholders and low for latent stakeholders.

3. The Osuna Ducal Estate

ODE included the group of aristocratic dominions that belonged to the jurisdiction of the Dukes of Osuna. Aristocratic dominion did not necessarily imply the ownership of the lands but rather the possibility of promulgating rules, collecting taxes, imparting justice in the first instance, enjoying several monopolies and the capacity of founding patronages. In other words, the Dukes were not the owners of all the lands over which they had jurisdiction and they did not have jurisdiction over all the lands they owned.

The ODE comprised dominions located in two separated areas: Andalusia and Castile¹ and originally organised into three districts named after their respective capitals: Osuna, Ureña and Peñafiel². Andalusian territories belonging to ODE together with those

¹ Central tableland of Spain.

² Osuna included Arahal, Archidona, Morón, Olvera, Ortegicar, Puebla de Cazalla and the capital, all of them situated in Andalusia. Ureña and Peñafiel were located in Castile. Gumiel de Izán, Briones and Arévalo

of Medina-Sidonia, Arcos, Medinaceli and Infantado, was one of five big lordly Andalusian dominions of the Ancient Regime. Osuna had the advantage opposite to the remaining ones of the proximity of the villas and places that were composing it, forming a "continuum territorial" (Atienza, 1987).

The ODE was founded in 1562 when King Phillip II bestowed upon Pedro Téllez Girón (1531-1562) the title of Duke of Osuna. Previously the Téllez Girón family used the title of Count of Ureña, and the first Duke was the fifth Count of Ureña. ODE properties were divided into entailed and free goods. The entailed goods were included in the *mayorazgo*³. In the period studied, the ODE was one of the most important aristocratic estates in Spain in terms of the rents collected. The chronicler Pedro Núñez Salcedo (quoted by Reglá, 1974, pp. 45-46) realized a list of the most important financiers of Spain in the period 1597-1600 figuring Osuna's Estate thirdly with 150.000 *ducados* of annual revenue. Nevertheless, at the end of the 16th century, ODE was strongly indebted, situation that was common in the Spanish nobility in that epoch (Domínguez Ortiz, 1983; Yun, 2002).

4. The Context

The political and economic situation in Spain underwent changes in the period examined here. King Philip III (1578-1621) succeeded his father Phillip II (1527-1598) to the throne.

formed the Peñafiel district and Tiedra, Pobladora, Villafrechos, Villadefrades and Villamuriel made up the Ureña district.

³ The *mayorazgo* (The Osuna *mayorazgo* was founded in 1511) was a Spanish legal institution that meant that a set of properties was entailed as an indivisible unit. Those goods could not be sold, mortgaged or divided unless specific Royal authorisation was granted. The only possible means of transmission was by inheritance in favour of the first-born. Its proposal guaranteed that the whole of the family patrimony would be kept together.

Phillip III had a weak character and granted power to his *favourites* who became the main figures of authority in the Kingdom⁴.

The agricultural situation is especially important for the purposes of this paper since it was the main source of income for the ODE. It suffered stagnation with annual increases of between 2% and 4% (Burrell, 1988, p. 440). The agricultural market was regulated. Thus, the Government promulgated an official rate, which was the maximum price allowed for the sale of wheat and barley. However, at least in the period 1558-1605, the market prices of wheat and barley were higher than the official rate (Reglá, 1974, p. 14).

During the reigns of Charles V and Phillip II, the nobles retained jurisdictional privileges in their districts but they were kept away from the Court and the country's affairs of state. As mentioned previously, Phillip III gave his power to the Duke of Lerma and from this reign onwards, the Nobility gained influence and presence in the Court, occupying most government positions. The influence of Spanish aristocracy rose throughout the 16th century favoured by their control of the grain market (Bernal, 1983, p. 250; Yun, 2002, p. 20), and the social alliance with the crown. During the first three reigns of the Hapsburg dynasty, the crown, the clergy and the aristocracy owned 95% of Spanish lands (Reglá, 1974, p. 24). Aristocracy owned 40% of arable land in Andalusia in the 16th century (Bernal, 1983, p. 260).

In spite of their power and influence, most Spanish aristocratic organisations had a high level of indebtedness at the end of the 16th and beginning of the 17th century. The literature provides different reasons to justify this seemingly contradictory situation. Thus, Domínguez Ortiz (1983, p. 301) blames the inappropriate management of patrimonies and the high level of non-productive assets. Atienza (1987, p. 339 and following) follows this

⁴ The Duke of Lerma occupied the position of Head Minister in 1599.

opinion and adds other reasons such as the necessity of providing economically for relatives excluded from the *mayorazgo* inheritance and high crown taxes.

Yun (2002), however, does not agree with these authors regarding the mismanagement of aristocratic patrimonies. In his view, there were reasons for indebtedness out of the control of their managers such as the social and legitimising functions of the lordships, the services rendered to the crown or the irregularity of income that depended on the circumstances of the agricultural market every year. Furthermore, the aristocracy had to pay out large sums at specific moments, for instance, the dowries payable when their daughters married or the aforementioned services to the Crown.

Putting the reasons to one side, the fact of the matter is that at the end of the 16th and beginning of the 17th century, the crown had to help solve the aristocracy's financial problems, by taking its properties into administration and reducing the *censos* interest rate (Domínguez Ortiz, 1985; Yun, 2002).

5. ODE Management

This section deals with the different administrative rules promulgated for the ODE in the period of study. As of 1590, the ducal patrimony was seized by the Crown and managed by members of the Council of Castile. This next point deals with that intervention, followed by a description of the rules promulgated for the whole lease of the ducal patrimony carried out as of 1599. As we have said before, the members of the Council of Castile appointed to administer the ducal patrimony promulgated an Instruction regarding accounting procedures in 1605. The clauses included in this Instruction are studied below. The Duke, his creditors, and guarantors reached an agreement in 1606 regarding the administration of the patrimony which was ratified by the Crown. The last point deals with

the decision made by the King to assign administration of the ducal patrimony back to the dukes.

5.1. Royal Intervention

The progressive indebtedness of the ODE led creditors and guarantors to lodge complaints and initiate several litigation proceedings in different Tribunals. The Crown was interested in resolving this problem because the ODE, like other aristocratic estates, was one of the politic and economical mainstays of the Crown. Hence, its potential bankruptcy and disappearance would have negative consequences for the Monarchy. Furthermore, most of the Estate's debts had required royal authorisation since they affected properties entailed through *mayorazgo*.

The Crown decided to seize the ducal patrimony from 1590 onwards, and promulgated the following rules:

- Transferring the management of ducal patrimony to the Council of Castile. They did not manage it directly but appointed an administrator in charge of ducal patrimony.
- Drawing up a rating of creditors to ensure the correct payment of debts. In this rating, debts were ordered chronologically. The result of this rating was that in 1594 ODE accumulated 194 debts for 264,992,395 *maravedíes* and had to pay 14,765,726 *maravedíes* annually in interest.
- Limiting proceedings to all the usual tribunals. All cases pertaining to the ODE had to be legally brought before the Council of Castile.

The administrator Cristobal de Auleztia, designated by the Council of Castile, received complaints from creditors about the accounts presented by some of the ODE's collectors.

AMO keeps several accounts submitted by collector of the ODE Andalusian district coming from 1594. During this period, the ODE had a collector in each village of the district. This person was in charge of the collections of the rents and the payments related to the ODE. Periodically, irregularly but always for periods bigger than a year, the collectors reported accounts to the ODE using the system defined in the *Tratado de Cuentas* by Diego del Castillo as the *Cargo y Descargo*. As an example of these accounts, we present the informative flows included in the accounts submitted by Rodrigo López, Archidona's collector for the period 1592-93 (Diagram 1).

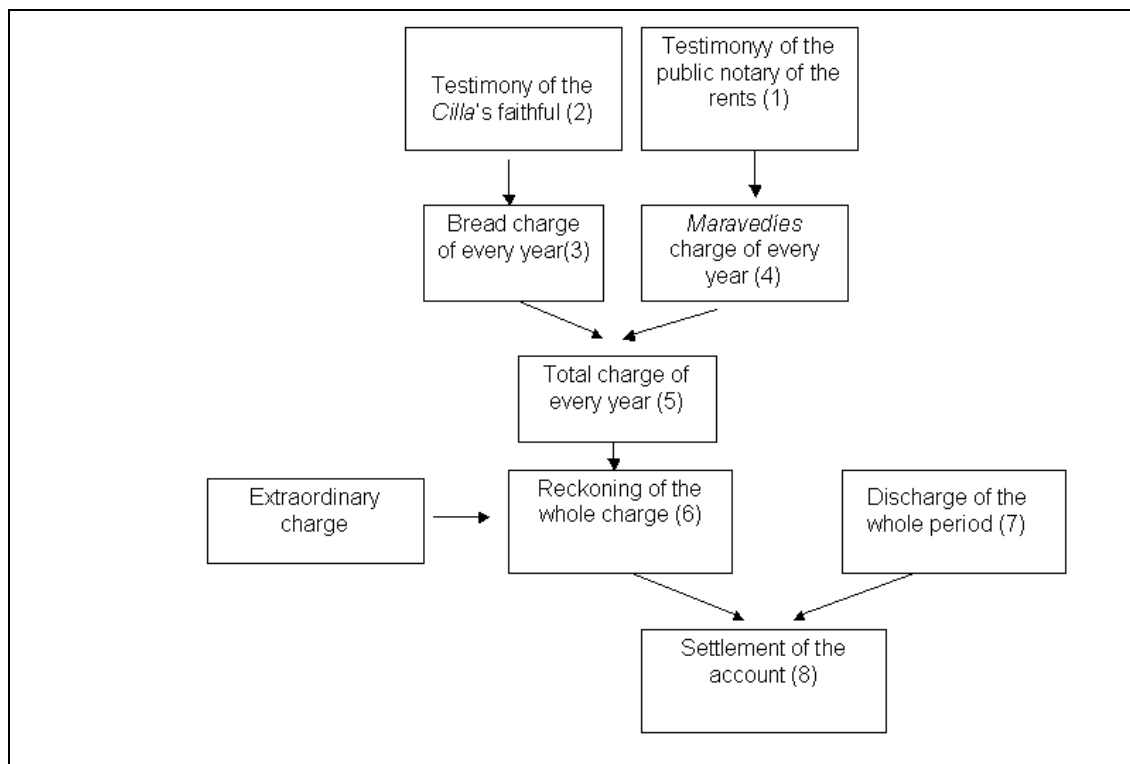


Diagram 1. Example of informative flows of collectors' accounts in the period 1590-1594

Thus, Francisco de Santander, on his own behalf and representing other creditors, presented in 1594 claims about the accounts of Andres Banegas, Olvera's collector, and about Rui Díez Roldan, who was La Puebla's collector (AMO, file 13 (53)). Santander

argued that the mistakes made in the settlement processes harmed his interests and those of other creditors, so the accounts should be re-drawn up. Most of the objections were common to both accounts:

- The charge should include rents pertaining to 1590 but collected in 1591 since the rents pertaining to 1593 but collected in 1594 were not included. By doing this, the charge would include a complete period of three years.
- During 1591, rents were levied and, therefore, the discharges of this year should not be admitted because the Collector could not pay those amounts.
- There were previous periods in which the collectors occupied these positions and for which there are no settled accounts.
- It has taken a single discharge for the whole period for which the creditors could have used one-year letters of payment to justify payments in other years.
- There were payment receipts signed by unauthorised individuals.
- The money received for the sale of wheat and barley was higher than the amount charged. That is so because the market price was higher than the official rate and the receipts may have been falsified.
- The administrator Cristobal de Auleztia had to pay the ducal family maintenance allowance. Thus, these quantities would not be included in the discharge to avoid paying it twice.

Furthermore, in the case of Andres Banegas, the creditor argued that the Olvera *Cilla*⁵ remained closed for part of the period covered by the accounts. Therefore, the Collector must have sold wheat and barley outside of it. These quantities have not been charged.

⁵ A Cilla was a grain warehouse where the cereal that corresponded to the duke's title was deposited.

5.2. *The whole lease*

Royal intervention was not successful. Management by the Council of Castile did not solve the problems of non-payment to the duke's creditors. Thus, in 1598 the duke's creditors asked the Crown once again to pass new rules about the administration of ducal patrimony.

They argued that the accounts submitted by Cristobal de Auleztia, who managed the patrimony in the period 1594-96, included collections of one hundred and forty-eight million *maravedies* during these three years. But he had only paid thirty-five million *maravedies* in debts and twenty-two in salaries assigned by the duke and Cristobal de Auleztia himself; "the rest had been spent in maintenance allowance of the ducal family, costs and expenses and on taxes". They claimed that the appointed administrators were only looking for own profit and that, in their opinion, the salaries designed for the Duke's staff were excessive. The result of Royal Intervention, according to the creditors' complaints, was an increase in total debt of one hundred and fifty thousand *ducados* from the start of royal administration (in other words 21.23%).

The solution put forward by the Crown, at the proposal of the creditors and guarantors, with the agreement of the Duke, was the whole lease of the ducal patrimony. The king appointed the Bachelor Tejada, member of the Council of Castile, to organise and control the lease.

The minimum price fixed by Tejada was 133.000 *ducados* annually. Only one person, Gaspar de Zárate presented an offer and the final price fixed was 138.062 *ducados* every year with 3.000 as *prometido*⁶. The contract was transferred to Hernán Salcedo in 1604. Upon expiry it was not renewed. Thus, from 1608 Gil Rámirez de Arellano, member of the Council of Castile, was appointed to manage the ducal patrimony.

According to the Inventory of accounts of 1585-1663 submitted by the leaseholders of the whole patrimony, the Bachelor Tejada passed an edict on 7th September 1601 advising the Duke's accountant to be present at the settlement of accounts for Gaspar de Zárata.

5.3. The 1605 Instruction on Accounting

Members of the Council of Castile appointed for ODE administration passed this Instruction in Valladolid on July 16th, 1605. The first step was to organise the ducal dominions into two districts: Andalusia and Castile⁷, each one with an Administrator and a safe used for the custodianship of ODE money. Diagram 2 shows the administrative organisation of the ducal Estate included in this Instruction.

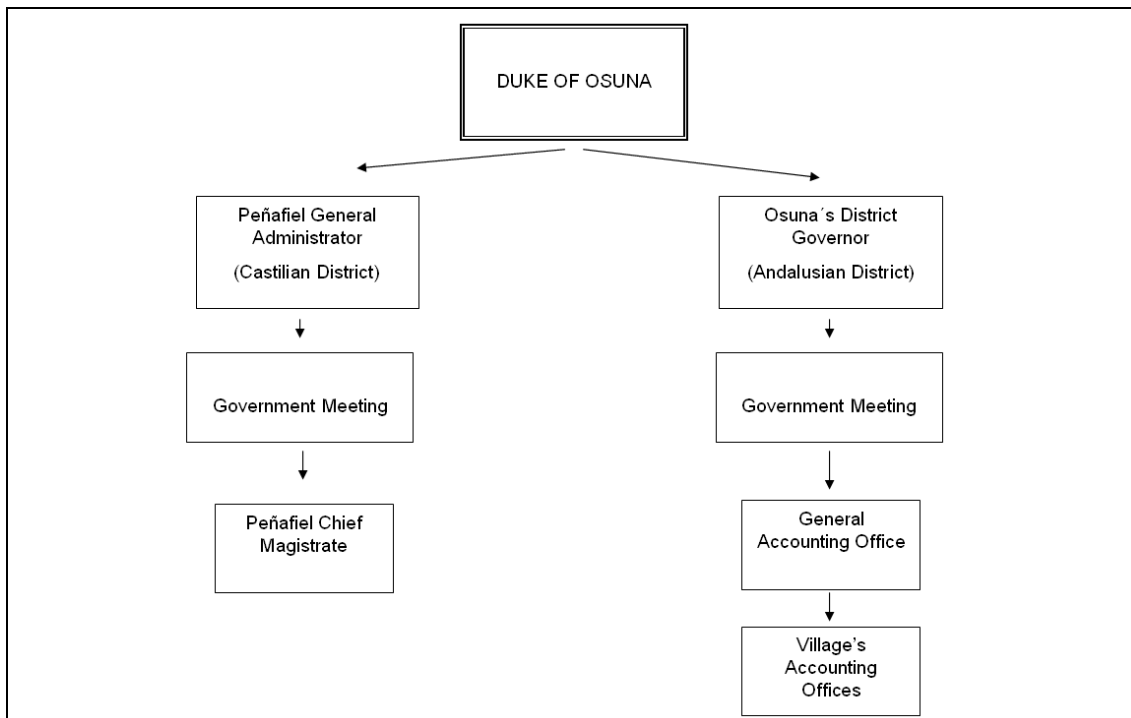


Diagram 2. Organisation chart of the Osuna's Ducal Estate according to the Instruction of 1605 (from Atienza, 1987, p. 320)

⁶ *Prometido*: Sum given to the bidders in the public auctions for the lease of the royal rents with charge to the total of the leased rent.

As far as accounting documentation is concerned, the Instruction indicated that each district should draw up:

1. Account and Reason Book for the amounts deposited in the safe.
2. Current Account Book for the amounts deposited in the safe.
3. Account and Reason Book for payments.
4. Implicitly, the Instruction mentions the accounts settled in the safe because the former book should be used to control the discharge of that account.
5. Biannual report on the profit, value and leasing of rents.
6. Biannual report of the amounts deposited and paid for the safe and overdue credits.

The Osuna district should also draw up a biannual list of the surplus sent to the Court safe.

Diagram 3 shows the flow of information included in the rule.

⁷ Where the districts of Peñafiel and Ureña were joined.

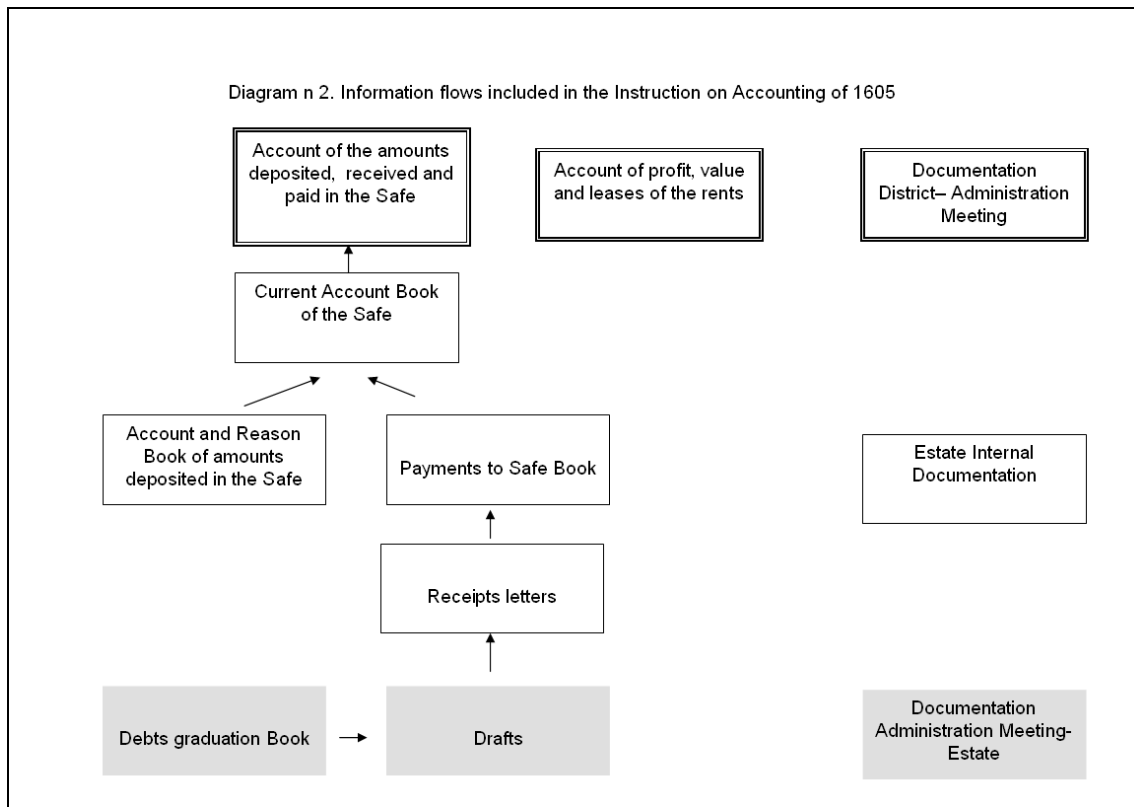


Diagram 3. Information flows included in the Instruction on Accounting of 1605

The members of the Council of Castile, Diego López de Ayala, Pedro de Tapia and Fernando Carrillo signed the Instruction. On the same date, the judges added the following rules regarding the way in which payments should be authorised:

- i. All debts should be settled in the presence of the official in charge of sequestered property and the Accountants. Payments shall be made to each creditor as seen fit according to their credit and rating.
- ii. All payments had to be approved by the administration board. Accountants should report the leasing of any debt and the position assigned according to the rating. The relevant payment authorisation had to be issued, for which the accountants had to provide justification from the credit and debit book for the District. Accounts entries

for payments were made according to the lists sent by treasurers of the safes to the board so that these amounts could be released to the Accountants.

Finally, the judges ordered the Accountants to draw up a new rating of creditors (since the current one was incomplete) accompanied by the *defensor de bienes* (official in charge of sequestered property) of Castile. This new rating should be a correspondent to the administration board, to be inscribed in the books and sent to the Safes⁸. Apart from the new debts rating, we do not have evidence of the fulfilment of this Instruction. In fact, little later the Duke and his creditors reached an agreement to change the form of management of the ducal patrimony.

5.4. Agreements with creditors

The ODE's creditors and guarantors reached an agreement with the Duke regarding the management of ducal patrimony because they were not satisfied with the result achieved by the whole lease of the patrimony. This agreement was signed in Brussels on February 9th, 1604 and its signatories required royal authorisation and ratification.

In the prologue to his Ratification Order (SNAHN, Osuna, file 3433/13), the King tackled the failure of the previous system of management, which he laid at the door of those members of the Council of Castile who were in charge of all matters pertaining to the ducal patrimony, having limited the ordinary tribunals:

“And although it was passed so that the Estate would be better managed and the outstanding debts paid without the costs previously entailed by collection, not only

⁸ This new creditors rating (SNAHN, Osuna, file 1.494 (3)) registered 350 debts with a capital of 383.591.939 *maravedíes* and the payment of 21.498.920 of *maravedíes* in annual interest. That meant a rise of 80.41% in the number of debts, 44.76% in capital and 45.60% in interest in relation to the rating of 1594. However not all of this increase was due to new debts but rather to the inclusion in the 1606 rating of debts

were these objectives not achieved, but the experience shows the great damage that has been done by placing the administration in the hands of strangers”.

Through the administration provided in the first five years, more than 30 million *maravedíes* were lost and nearly uncollected. The patrimony was leased at such a low price and under delusory conditions that by this point at least 250,000 *ducados*⁹ had been lost. The leaseholder had been in prison for over a year in relation to a sum of more than 28 million *maravedíes*. The debts from mortgages had increased in excess of 250,000 *ducados*. When the ODE was taken into administration by the Council of Castile, the rents added up to nearly 60.000 *ducados/year* and the debts were for no more than three years. By the time of the agreement, there were creditors with debts owing of up to 15 years and no creditor had debts for less than five years.

It was harmful to have negotiated with so many ministers who were so important that, try as they might, they simply could not meet up as often as they needed to because of their high-profile occupations. Therefore the system was by no means an improvement: it was very expensive and rather than solving problems they were exacerbated.

The solution agreed with the Duke and the creditors was that an individual with a personal but unselfish interest in the matter should be appointed to administer the Estate. The person chosen was the Count of Haro, cousin to the Duke, granted the authority to govern and manage the ducal estate for a specific period of time. The order of payments stipulated in the agreement is quite remarkable, pushing creditors down to last place:

- a) Maintenance allowance for the ducal family, (the Duke, the Duchess, and two nuns, the Duke’s daughter and sister respectively).

prior to 1594 but not included in the first rating. In fact, 23 debts originated in the period 1599-1606 with a total capital sum of 17.752.110 *maravedíes* and 888.628 *maravedíes* in annual interest.

⁹ Accounting unit equivalent to 11 *Reales* (1 *Real* = 34 *Maravedíes*).

- b) *Situados* to the Church of Seville and Malaga and salaries of the priests at the Collegiate Church of Osuna and other priests paid by the Duke.
- c) The Count's payroll and drafts, having reported to the ducal Accounting Office.
- d) Maintenance and repairs of the properties.
- e) Expenses of legal cases including salaries of the agents and attorneys.
- f) Mortgage interest paid in the city where the Duke was bound, without cost to the creditors. If the collectors or leaseholders did not meet these payments, the creditors could bring a lawsuit in the tribunals to claim for these payments and rents as of the day on which the Count ordered payment. The costs of these actions would be payable by the leaseholders or collectors.

This agreement was ratified by the King on September 11th, 1606, imposing a requirement for authorisation from the Council of Castile in terms of:

- i) The possible sale of free properties.
- ii) Dropping cases to recover properties or claiming debts.
- iii) Possible increases in the allowance assigned to the ducal family.

From that moment, the members of the Council of Castile no longer managed the ducal patrimony or dealt with claims related to it; hence creditors could turn to the Tribunals.

5.5. The return of patrimonial administration

On May 22nd, 1633, the King signed an Order returning patrimonial administration to the Duke. This same document recognised that the problems of indebtedness had not been resolved: “*According to the accountants’ reports in 1606 overdue interest stood at 200,000 ducados and by 1633 the sum had reached more than 450,000 ducados*” (SNAHN, Osuna,

file 15 (16)). The order maintained the conditions of the 1606 agreement and the Duke had to spend 4,000 *ducados* every year repaying mortgages. The creditors appointed a representative in the ducal patrimony administration. The timeframe for this arrangement was from 1633 to 1639.

The return of direct management was extended in 1639 (for the period 1640-48) and in 1647 (for a further nine years). In both cases (SNAHN, Osuna, files 15 (20) and 16 (4)), the extensions were justified in terms of the services rendered by the Duke to the Crown, providing soldiers to fight on his behalf. The first document mentioned the creditors' satisfaction with the direct management arrangement.

6. Discussion

From its origin, accounting played an important role in all the changes happened in ODE management from the Royal Intervention until the return of patrimonial administration to the dukes. Accounting was present throughout the process as a legitimating element of the creditors' complaints. They complained about the accounts rendered by collectors (section 5.1), and argued the failure of the whole lease being based on the accounts of the lessor (section 5.2). This legitimating role of accounting was even recognised by the King who referred to the reports of the book-keepers when returning patrimonial administration to the Duke, though ultimately his criterion was based on gratitude for the services rendered by the Dukes (section 5.5).

On the other way, accounting was the striking point of the changes promoted by Council of Castile in the 1605 Instruction. This rule was attempting to introduce new accounting methods and, overall, increasing the frequency of required accounting reports. This is an evidence of the belief among members of the Council of Castile about the

possible contribution of accounting to improve the situation of the ODE patrimony (section 5.3).

In terms of stakeholder approach, the situation of the ODE patrimony previously to the Royal seizure could be defined as follows: i) The Duke administered ODE patrimony, ii) the Crown was a stakeholder within in the social system of the period, endowed with power and legitimacy, making it a dominant stakeholder. The Crown could affect the ODE and any organisation in this period through absolutism. It could be affected by ODE because aristocratic organizations were one of its mainstays that supported the social system of the period. In this social situation, the Crown had no urgent claims to make of the Duke in relation to ODE patrimony management. iii) Creditors could affect the organisation by withholding further credit and they could in turn be affected by the performance of the ODE because if the organisation had no surplus, they could not collect their loan interests. Creditors were initially in a situation of discretionary stakeholders. They had legitimacy because of their loan contracts. In fact, they had legitimacy as regards both the Duke and the Crown because the mortgages on properties linked to mayorazgo required royal authorisation. Thus, they stood by royal protection when they granted financial aid to the ODE. When non-payment occurred, they had urgent claims to make, which turned them into dependent stakeholders. According to Mitchel et al. (1997), they needed the coalition of a powerful stakeholder in order to achieve their objectives. Thus, they went to the tribunals and they achieved the exclusion of rents in the years 1590 and 1591.

The dire economic situation of the ODE meant that the Crown had an urgent interest in resolving its problems; thus, the Crown became a definitive stakeholder because it had power, legitimacy and, now, urgency. The solution adopted was the royal seizure of

patrimony. Thus, as of 1590, in terms of the stakeholder classification, the new situation was as follows. The Duke became a discretionary stakeholder because he had legitimacy as the patrimony owner. The existence of *mayorazgo* that ensured he would keep the patrimony and collect some income, the maintenance allowance, reduced his urgency. His power was restricted by the royal seizure. The Crown, in a broad sense, including the King in person and the Council of Castile, became the ODE patrimonial administrator. Finally, the creditors became dominant stakeholders. They had the legitimacy of the loan contracts drawn up with royal authorisation. They had power through the cases they won in the tribunals and above all because their aim to avoid ODE bankruptcy coincided with that of the Crown. As a consequence of this new attributes:

- i) When the Duke wanted to become involved in the administration of his patrimony, he became a dependent stakeholder because he added urgency to his legitimacy. Thus, he needed the coalition of other stakeholders to achieve his objectives. In the agreement of 1606 he gained the possibility to increase his influence on patrimonial management, through the position of his cousin, and the possibility to increase his maintenance allowance. To do this, he needed the support of the creditors to obtain royal authorisation. In 1633, the King returned to the Duke the management of the ducal patrimony but the conditions of this return specified the amounts allocated to the annual payment of mortgages and interest (SNAHN, Osuna, file 15 (16)). In 1640, the King extended the Duke's direct management of the ducal patrimony on the grounds of the services rendered by the Duke and the creditors' satisfaction with the arrangement (SNAHN, Osuna, files 15 (20)).

- ii) When the creditors' claims attained a level of urgency, in other words, when they were unable to collect their interest, they became definitive stakeholders and managed to force several changes in the management of ducal patrimony, the whole lease of 1599, the 1605 Instruction on Accounting, the 1606 agreement between the Duke and his creditors and the non-renewal of the whole lease from 1608. The legitimacy of their complaints was supported by accounting information from the ducal household.

Summarising, the management changes that took place in the ODE between the years 1605-1617 were the result of pressure from a group of stakeholders, the creditors, who became definitive stakeholders when they embodied all three key attributes: power, legitimacy and urgency. After the changes, their situation improved, they lost urgency and returned to the status of dominant stakeholders. But one has to bear in mind that in the social system of the period the only absolute power resided with the King. Thus, the creditors had power depending on the King's will; indeed, it could be said that they took advantage of the fact that their objectives coincided with the Crown and used its power indirectly. Thus, they could at any point have become discretionary or dependent stakeholder. Furthermore, we would argue that the creditors were aware of their limited power because i) In the agreement of 1606 they agreed to occupy last place in the order of payments (see section 5.4) and ii) they accepted the return of ducal patrimonial administration even though the indebtedness problems had not actually been resolved (see section 5.5).

7. Concluding remarks

Therefore, the stakeholder approach is able to explain sufficiently the changes that took place in the management of ODE in the 16th and 17th centuries and the role of accounting in all these changes.

Accounting literature has used stakeholders approach until now to explain changes in business firms characterised by the look for profits framed in a capitalist economic context. However, the importance of agents related to the firm apart from shareholders is in the start point of stakeholder approach. In fact, the vagueness or stakeholder definition is one of the problems that impelled Mitchel et al to formulate a theory of stakeholder identification and salience: “*Persons, groups, neighbourhoods, organizations, institutions, societies and even the natural environment*” (p.857) have been identified as potential stakeholders in some moment. In this sense, the accuracy of stakeholders approach in a non-capitalist context could be hoped. Following this, the case of ODE proves the availability of stakeholder approach to explain management changes in private patrimonies embedded in a non capitalism context and dealing with organisations whose objectives were not the look for profits. You have to take in mind that as well as ODE as its creditors were mainly rentier organizations.

On the other hand, research works that have used stakeholders’ approach, as well in accounting literature as in other management topics, have focused until now on 20th century with only one exception referred to the final years of 19th century. This paper uses stakeholders approach to explain accounting and management changes happened at the end of 16th century and beginning of 17th century.

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APPENDIX 1. Location of the Ducal Estate districts

