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Politicians' use of performance information in Flemish municipalities.

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Abstract

Politicians have a different perspective on performance than the perspective implied in the NPM model. Political and economic rationality generate divergent objectives. Previous research has come to rather sceptical conclusions about the acceptance and use of performance information by local politicians. This dissertation attempts to answer the question of how important performance information is for local politicians in their daily policy- and decision-making role. The research builds on empirical findings and attempts to evidence the presupposed patterns of use. We particularly focus on politicians’ assignment as policymakers in the administrative context of municipalities. Combining different dimensions (e.g. social, cultural, political) in the analysis of change processes the institutional framework will be used in searching answers for the discrepancy and the paradox between intended and actual use in practice of performance related documents. Institutional theory, sociological institutionalism and ter Bogt’s and Van Helden’s framework for studying organisational change might provide a basis to explore and analyse the reasons for using NPM like instruments in public sector organisations and their effects (ter Bogt, 2008a: 217). Data are collected from the Flemish city councils official reports completed with case and field study research. Preliminary findings suggest that the status of performance information in municipalities is still very precarious.

Introduction

The contemporary logic of organising in western local government has been referred to as New Public Management (NPM). It is seen as the wave of restructuring that swamped governmental organisations with businesslike instruments and styles during the last two decades (Hood 1991, 1995, Windels 2007). Much more than in the past, different stakeholders emphasize the importance of the performance of government organisations, transparency with regard to performance and their costs, as well as efficiency and effectiveness in general. Its primary claims are doing more for less as a result of better quality management, or -using the consultant’s vocabulary- to contribute to efficient, effective and customer oriented government (Van Helden, ter Bogt 2001). In tandem with NPM, it is suggested that new performance and control structures put a greater emphasis on accountability in terms of results which should contribute to a more effective and citizen-oriented government (Hood 1995).

NPM can be characterised by both instrumental and attitudinal elements. The parts of a more businesslike planning and control process are called instrumental elements and are referred to as New Public Financial Management. Attitudinal elements refer to private sector styles and visible hands-on management (Van Helden, ter Bogt 2001). This doctoral study will focus on the instrumental side of NPM.

The research mainly relates to the second and third stage of change processes as defined by Pollitt. He developed a multi-layered concept of public sector renewal consisting of four different stages. The first stage stands for the new managerial ‘discourse’, the relatively abstract ideas of running the public sector in a businesslike manner forming the conceptual agenda. The second stage contains the decisions of political executives and managers to develop and adopt new instruments. In the third
stage, the instruments become embedded in daily practices. The fourth and last stage relates to the results of the reform and their effect on customers and citizens (Windels 2007).

**Research domain**

The explanatory power of the NPM model concerning the use of performance information in the public sector has its limitations. There is a paradox, bulks of performance information is available but responsible decision-makers are reluctant to use it.

NPM focuses on increasing the efficiency of government organisations by quantitatively relating output to input. In that sense NPM’s concept of efficiency is grounded in economics. However this ‘economic efficiency’ is not the same as ‘political efficiency’: a concept that focuses on the efforts needed to attract voters in elections (ter Bogt 2004: 25). In that sense NPM’s perspective and local politicians’ perspective differ concerning the use of performance information. The introduction of targets and the availability of performance reports hardly explain whether politicians use performance reports.

When summing up 20 years of research, Pollitt calls it mildly amazing that there are only few analyses of what elected politicians do with performance information. There has been some theorizing about elected politicians’ utilization of performance information, but the implications of this theorizing are not sufficiently tested (Askim 2007:454). Most literature dealing with private and public accounting and reporting is about concepts and instruments (Grossi, Reichard). Several studies have addressed the more ‘technical’ aspects of performance measurement in government organisations (e.g. What should be measured and how, What is measured?). However, our knowledge about whether politicians and how politicians use performance information is limited by a lack of empirical evidence. Most existing public sector studies cover managers’ experience, and it is not self-evident that findings concerning managerial use carry over to the political sphere as politicians and managers conduct their work in very different ways. Most evidence on politicians’ utilization stems from case studies. These studies have provided valuable insight and interesting hypotheses but little systematic evidence of levels and patterns of use (Askim 2007:456). Other politically oriented studies have, to our knowledge, neither treated this matter.

Previous research (Lapsley, Pallot 2000: 227) confirms that politicians do not often behave in the rationalist manner implied in the NPM model. Public systems are dominated by politics and this domination inevitably undermines rational decision making. Most scholars appear rather sceptical about the usefulness of performance information in decision-making, especially for politicians, although there are some exceptions (e.g. Askim 2007). Similar observations have been made in other countries: Politicians make rather limited use of the available performance data (see e.g. ter Bogt, 2003, Van Hengel, Groot, Budding 2009, Jansen 2008a, 2008b) although they have an important role in the introduction of new ideas into the organization (Jansen 2008b). For example, in Dutch municipalities although aldermen tend to carefully evaluate their professional managers’ performance, they rarely use the quantitative performance information that is available in budgets, management contracts, management reports and annual accounts for this purpose (Jansen 2008: 40).
Theory versus practice

The NPM literature has generally focused on the expected effects of reforms but attempts at studying the consequences of such reforms have often found unintended results and significant gaps between expected and actual changes (Anessi-Pessina, Nasi & Steccolini: 321). Previous research (Van Helden, ter Bogt 2001: 83) shows that NPM developments cannot be fruitfully described and explained by only focusing on the availability of new instruments. What really matters is how these instruments are applied in practice.

Besides, international literature questions the effectiveness of new financial instruments. A deep gap exists between the ideal concept of management change and the development in daily use of various NPM instruments. Arguing that already substantial attention has been devoted to the ideological and instrumental aspects of reform adoption, nowadays many researchers are shifting their focus to the actual practices, the impacts and the outcomes of the implemented programmes (Windels 2007). This is an important assumption for this dissertation as we principally will conduct research concerning the daily use of new managerial instruments.

Theoretical framework

Not much empirical research has yet been conducted with respect to the possible contributions of institutionalism to understanding gradual NPM change in the public sector (ter Bogt, 2008a). This research draws on institutional theory for examining and interpreting the way in which the use of performance information is situated within organisational change. Institutional theory (with its different approaches) offers explanatory possibilities for answering the question of why performance information is or is not used for policymaking purposes by elected representatives. The NPM model suggests that the most important explanation for changing the control of government organisations is the desire to improve performance, i.e. to increase economic efficiency and effectiveness. However not all authors are convinced that organizational changes are mainly intended to increase economic efficiency and effectiveness. Expectations, values and rules from inside and outside the organisation also play a part in the decision to introduce changes. Old institutionalism and sociological institutionalism offer the opportunity to explore such influences. Institutional theory emphasises the influence of structures in society and the social and cultural aspects of an organization’s environment, such as rules, power, interests and habits in a particular group or society. Compared to functional theories institutional theory broadens the range of aspects of an organization and its environment which have to be considered (ter Bogt 2008a: 210).

An institutional framework combines economic, social, political, historical and cultural dimensions in the analysis of organizations and change processes (ter Bogt 2008a: 210). As local governments function in a complex environment with formal and informal dimensions, a broad institutional model can offer a useful theoretical framework for studying managerial changes. The field study of Van Helden and ter Bogt (2001) shows that the impact of instrumental innovations similar to NPM can be evaluated by addressing various organisational and behavioural perspectives.
Moreover, institutional theory not only focuses on organizations, but also on the individuals within organizations (ter Bogt 2008a: 214). As this research will focus on politicians as an important powerful group within municipalities, institutional theory will be useful for explaining their role in the adoption and use of new financial management instruments.

Burns and Scapens (2000) developed a model for conceptualizing management accounting change based on institutional theory and old institutional economics. The model is useful to this research as it focuses on routines and practices in organizations. The difference between routines (which are embedded in institutions) and rules highlights the gap between actual and formal change, which is the primary focus of our research. Rules, routines, and institutions are three interrelated concepts which mutual relationship explains organisational change. We can consider the legislative framework as the formal rules, the actual practices as routines. Institutions would then be the organisational culture and the broader environment in which local governments operate. However, the relationships between rules and routines and between rules and institutions are much less clear (ter Bogt, Van Helden 2000: 270). Burns and Scapens only deal vaguely with the causes and effects and mechanisms of accounting change. Other models, like Shields and Young’s Seven C’s model and Cyert and March’s general theory about information processing, decision-making and learning in organizations, throw some light on the circumstances under which the use of performance information might alter (ter Bogt, Van Helden 2000:272). According to Shields and Young, the success of the introduction of a new management instruments depends primarily on an organization’s ability to focus on behavioural rather than technical issues. The implementation and use of new performance related documents can be facilitated by focusing on seven general behavioural and organizational issues: culture, champion, change process through commitment, compensation, controls and continuous education.

**Figure 1**

![Figure 1](image)

An exploration of Cyert and March’s ideas within the context of accounting change leads to the following observation: if the participants in an organization are satisfied with the existing rules, there will be no incentive to change. This implies that external or internal pressure is a prerequisite for the alteration of rules. Furthermore, participants, in our case local politicians, will be inclined to repeat behaviour and also the underlying rules if this is seen to be successful.
To summarize, ter Bogt’s and Van Helden’s framework encompasses a combination of elements from the three approaches. Thus, our approach is based on the following inputs: firstly, Burns’ and Scapens’ distinction between rules and routines to explain the difference between formal and actual change, secondly, pressure or lack of pressure for change related to the ideas of Cyert and March. Thirdly, the relevant internal enablers for success of change for which Shield’s and Young’s model provides promising clues (ter Bogt, Van Helden 2000: 273). Of course, this is a dynamic process in which the different elements interact. Figure 2 illustrates the application of the framework on this research. The formal introduction of new NPM-like instruments mostly takes place during a well defined beginning and end. After the formal introduction, the real use takes place and the new instruments are used and adjusted.
Methodology

Previous research concerning NPM changes in local government often used qualitative methods (for example Lapsley, Pallot, Van Helden, Jansen, Van Helden, ter Bogt 2001). They demonstrate the value of employing qualitative research strategies as a complement to strong quantitative methods focusing on explicit structures, practices and outcomes in advancing institutional theory (Dacin et al.:48).

This dissertation relates to the second and third phase in Pollitt’s classification of NPM changes. The third phase concerns the daily managerial activities and styles that embed the newly developed management instruments (Jansen 2008b). Research concerning the third stage requires a more sophisticated approach than the first and the second. Often extensive field work, including survey and case or field studies will be necessary to investigate how techniques are used and also shed light on contextual and organisational factors that may influence the use of new techniques in actual practice. Consequently a large majority of the papers simultaneously discusses reforms at the second and third NPM level, with case and field research as the dominant research method. Quantitative research in which hypotheses are tested using econometric methods is obviously not mainstream, although there are some notable exceptions. The dominance of qualitative over quantitative NPM research seems to be similar to research traditions in UK public management (Van Helden, Jansen: 82-83).

In order to minimize the limitations inherent to each type of research the doctoral dissertation will consist of both quantitative and qualitative research, although with a strong qualitative component.

The whole of this doctoral study will consist of three interrelated papers dealing with a particular part of the previously described research domain. In the next subdivision we evoke the approach of the first paper.
The current status of performance information in city councils

Within the scope of a broader doctoral study this first paper will set a state of the art on the current status of financial and performance instruments in city councils. Before we can investigate local politicians’ use of performance information we need to set a clear picture of the general importance that is attached to performance information in city councils. The support of city councils as political bodies is indeed incontrovertible as councillors will have to accept the needs and benefits of the NPM concept and support its implementation. Councillors need to be convinced of the benefits and opportunities that are associated with a shift in management control. Local politicians have to be willing to modify their perspective on control and support its processes of decision-making with rational, objective and focused information. From this perspective the political costs and benefits that are associated with this process are being incorporated. Political executives may be interested in ‘economic efficiency’ and organisational improvement, but also in ‘political efficiency’ which relates to the efforts that are needed to attract voters in the elections (Windels 2007).

So far very few empirical studies have conducted this kind of research in municipal councils. It is a challenging and innovative approach to study how newly introduced performance related documents are applied and adjusted in ‘real world’. This research will contribute to our knowledge of financial and performance management systems of local governments and the influence of politicians in the implementation and use of NPM-like instruments. This insight can add value to our expertise on public financial management reforms.

Research Question

Is it merely a rather symbolic change and matter of rhetoric? Can we recognise the variation in practice to the same coercive pressure (regulation)? Has this regulatory driven reform led to a uniform adoption process? Would politicians rather fulfil the new requirements in search for legitimacy rather than to improve decision-making and control mechanisms? Have the newly introduced instruments really affected local politicians’ practice knowing that formal change is easier to implement than new ways of working and thinking? In order to respond to these questions we come to the following research question:

To what extent is performance information acknowledged and used in city councils as a result of the implementation of NPM instruments?

Using statistical techniques we will quantify archival data available in city council official reports. We take a random sample of 100 out of 308 municipalities, corresponding to different criteria like size and geographical area. The council reports for the years 2006, 2007, 2008 will be studied, testing them on an “index of performance information use” developed on the basis of previous literature. The use of such an index enables us to convert qualitative information into quantitative data, which is a proper
method to make the presence of performance information operational to our research. Figure 4 illustrates some elements of the index.

Figure 4: some elements containing the index

| Organisational aspects                  | - presence of alderman for financial affairs |
|                                        | - presence of separate municipal commission for finance |
|                                        | - number of parties in opposition |
| Typology of discussion concerning annual budget | - type of questions asked (e.g. tax related, policy priorities, general financial status municipality, …) |
|                                        | - based on which information? |
|                                        | - way of answering questions (performance information based, by whom (major, aldermen, …)). |
|                                        | - reactions and questions of members of the opposition |
| Approval of budget                    | - in separate meeting of municipal council? |
|                                        | - entire approval or voted in parts? |
|                                        | - way of presentation and illustration to the council |
| Status of other performance related documents | - discussion concerning annual budget of local police force, church fabrics, centres for social welfare, … |
|                                        | - questions related to financial items in other policy plans |
|                                        | - characteristics of financial reporting by treasurer |

Data Collection

Since 2006 Flemish municipalities have seen a major change in various aspects of their management control. Fitting in with the rise of NPM attention was focused on a more businesslike and professionalized management of local government. The New Municipal Decree of 2006\(^1\) (in Dutch “Gemeentedecreet) introduced new instruments which enabled municipalities to organise themselves in a new modern way. The changes relate to such aspects as organisational culture, financial management, human resources and result oriented policy planning and evaluation. Some stipulations are compulsory, for example the establishment of a municipal management team, others are optional like the implementation of budget ownership. The operation occurs in different phases. The Decree can thus be considered as the introduction of NPM in Flemish municipalities.

\(^1\) In Dutch: “Gemeentedecreet, Decreet van 15 juli 2005”, 30/04/2009 latest adjustment.
Figure 3: Main elements and objectives of the reform

| Political components | - strengthening of the municipal council  
|                      | - focus on policy-making tasks of council |
| Bureaucracy          | - preparation, implementation and evaluation of policy plans  
|                      | - collaboration model together with political field |
| Human Resources      | - more legal possibilities for employment  
|                      | - employment of cabinet personnel  
|                      | - flexible recruitments |
| Self regulation      | - internal and external privatization  
|                      | - more possibilities for private-public partnerships  
|                      | - implementation of audit |
| Civilian participation| - complaint management systems  
|                      | - increased involvement of civil society with policy making  
|                      | - procedure of turning in petitions |
| Modern financial and policy instruments | - strategic long-range plan  
|                              | - management team composed of civil servants and major  
|                              | - annual budgets with integrated financial and policy plans  
|                              | - adjusted role and function for treasurer and city manager  
|                              | - budget ownership for civil servants  
|                              | - internal control systems  
|                              | - flexible executive committee  
|                              | - external audit |

**Data Analysis**

In order to answer the research question, the logical next step is it to look for the appropriate documentary sources within municipalities. The councils’ official reports provide the necessary useful data from which we can collect the desired evidence. This is an official document, publicly available for all 308 Flemish municipalities. It is a rich source of information since municipal orders on all policy areas are included as well as the preceding discussions. Previous research (Askim 2007: 466) shows that municipal annual reports are influential performance information sources. All official performance, financial and management documents (annual budget and financial reports, long term policy plans, ...) must be discussed and approved by the council following the regulations of the new Municipal Decree. Other relevant documents like the reports of the city finance commission (composed of members of
the local council) might be included as well. In this respect we will not conduct a kind of content analysis but we make a peculiar interpretation of the discussions held in the municipal council.

The analysis is certainly not intended as an evaluation of the implementation of the requirements of the decree in terms of success or failure. We are not interested in compliance with legislative regulations, but we make a neutral examination of the current status of performance information in city councils.

**Preliminary Findings**

What has happened with performance information in city councils since the introduction of NPM-like instruments?

As this is only the very first stage of our empirical research, these preliminary results are based on a preparatory lecture of the reports. A first observation is that municipal council official reports are not an obvious documentary source for this kind of research, as they are written for other purposes. It is a challenge to get hold of council reports where the complete discussion is noted, although they are publicly available documents. Very often only summarized easy readable versions with the most important decisions without any comment are published. This is of course not what we are interested in. Another point of concern is that we should be aware of the influence of the quality and usefulness of performance information on its actual use. Therefore it will undoubtedly be necessary to examine some of these documents as well.

Nevertheless, based on a sample of already acquired reports, we notice a manifest variation in the importance attached to performance related documents in municipal councils. Some local politicians definitely became the strategic, rational, well informed managers of their portfolio, while others still behave in a very traditional political fashionable way. The dominant image remains that of local councils where financial and performance related documents are approved without any (!) discussion or debate in the council, although there are notable exceptions. It is still too early to draw conclusions on the causes behind these exceptions (possible reasons might be the presence of strong opposition members, education and experience of council members,…). Maybe council members are satisfied with a less radical change because it fits their organisational culture better? They are still mainly concerned with not exceeding the budget which leads to essentially input based discussions. There are no incontestable signs of a systematic more economic or performance based underpinning of discussions.

**Preliminary conclusion**

Our first conclusions correspond with the rather pessimistic and sceptical view of previous researchers. Councillors seem not really convinced to adapt their traditional working practices which had been installed for many years. They remain heavily involved in the service delivery process and in specific operational projects and far less into aspects of strategic planning and control (Windels 2007).
Most newly introduced performance based documents are probably considered as paper filling documents and not as incentives to realise any far-reaching change. Maybe we should state that there is a strong need for a more realistic model of the role politicians can and should play in the running of the state apparatus as Pollitt and Bouckaert suggest. More controversially one might suggest that any rethinking of these matters ought to focus at least as much on the induction and training of politicians and on the framework of incentives and penalties surrounding them, as on reforming the public service. In other words, a shift in mentality might be necessary before any form of performance related documents can be recognised as important and useful in city councils (Pollitt, Bouckaert: 147).

Of course we have to take into account that we don’t have systematic empirical evidence at our disposal yet and that some limitations of the data analysis still have to be resolved.
References


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