



Exploring a local council's change to an outcome measurement regime

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Abstract

Purpose – The purpose of this paper is to explore the experience of a New Zealand (NZ) local council in changing from output-based to outcome-oriented performance measures, thereby, seeking to enhance understanding of how institutional pressures affect managers in a local government body.

Design/methodology/approach – By means of semi-structured interviews with four managers and a councillor at a major city council in NZ, the authors elicit a better understanding of the process of changing to outcome-oriented performance measures. The six-stage model of institutional change proposed by Greenwood *et al.* provides a useful analytical lens. The authors report the thoughts and attitudes of interviewees regarding the effects of the change on the council's performance management, and particularly on its process of Long-Term Council Community Planning.

Findings – Institutionalisation of the new outcome-oriented performance measurement system was neither complete nor automatic. Conformity with it was harder where outputs and/or outcomes of activities were less easily definable. Decoupling was evident. Community consultation was regarded to be beneficial because it encouraged managers to be people-oriented and reduced information asymmetry between managers and councillors.

Originality/value – The paper provides fresh case-based insights to the process of institutionalising change in the performance measurement system of a local council.

Keywords New Zealand, Local government, Managers, Performance measurement, Public sector reform, Institutional theory

Paper type Research paper

1. Aims, scope and objectives

New public management (NPM) reforms seek to have the public sector imitate some activities of the private sector. NPM reforms have moved the public sector from input- to result-oriented activities (Guthrie *et al.*, 1999). NPM stresses the importance of “competition, contracting, networks, devolution, delegation, and performance management” (Demirag and Khadaroo, 2008, p. 455). In New Zealand (NZ), NPM reforms have occurred in central and local governments.

Embrace of an NPM mentality has renewed interest in performance measurement techniques (Johansson and Siverbo, 2009). Proponents of NPM reforms have emphasised the need for quantification in the new performance measurement systems that are deemed essential to achieving the key NPM objective of making the public sector results oriented. This has led to strong support of output-based performance measurement systems in the public sector (Jacobs, 1998; Pallot, 2003). NPM reform has occurred despite criticism of the rationality of importing private sector practices into



the public sector at a time when the private sector was moving away from sole use of economic terms and measures in its reporting (Pallot, 1999).

Output-based performance measurement systems are alleged to have led to deterioration in public sector accountability (Humphrey *et al.*, 1993; Sinclair, 1995; Jacobs, 2000; Pallot, 2003). This is claimed to have enabled public sector managers to shirk their responsibilities (Guthrie *et al.*, 1999). As adverse effects of output-oriented measures became evident, calls were made to revamp performance measurement systems (Harman, 1993). Such calls have led to a gradual shift from output-based performance measurement systems to outcome-oriented systems (Lonti and Gregory, 2007).

The NZ Auditor General has expressed some strong and legitimate concerns about the quality of performance reporting by public sector organisations in NZ:

[...] the poor quality of non-financial performance reporting by public entities is disappointing. It needs to improve significantly to allow Parliament and the public to hold public entities accountable for their use of taxes and rates and for the effectiveness of their service delivery (Office of the Auditor-General, 2008, p. 3).

Such concerns are consistent with a broad tenet of institutional theory (Meyer and Rowan, 1977): that organisations adopt new or popular practices to comply with regulations, satisfy political superiors, and thereby gain legitimacy.

Although there is an extensive body of research on NPM reforms in the central government of NZ (Jacobs, 1998; Pallot, 2003; Newberry and Pallot, 2004; Lonti and Gregory, 2007), little of this research has focused on local government. This is surprising considering local councils in NZ have significant responsibilities for the provision of public services, including transportation, water supply, refuse collection, and cultural facilities. Importantly, no research (in NZ at least, if not more widely) appears to have examined the effects of a shift in performance measurement policy by local government. The present study explores the implications of the change to an outcome-based performance measurement system in a local government council in NZ. In doing so, we respond to a call by Johnsen *et al.* (2001) by including a politician in our examination of relations between use of performance information and accountability.

Performance measurement is a form of organisational control in the for-profit, public or non-profit sectors. Child (1984, p. 136) argued that:

[...] control in an organisation is not simply a process in which everyone shares the same goal [...] it is also a process in which there is resistance and counter-control in pursuit of conflicting objectives.

This is especially so in local governments: they serve a wide range of stakeholders and are often confronted with divergent and misaligned priorities of those stakeholders (Umashev and Willett, 2008). Research has shown that community consultation can improve performance and accountability: local councils in receipt of substantial community input during planning stages have been found to achieve outcomes that were more congruent with community expectations (Corrigan and Joyce, 1997).

Performance measurement reform in local governments in NZ has been engineered by legislative mandate. It has not arisen spontaneously, willingly or without resistance. By drawing insight from DiMaggio and Powell's (1983) arguments regarding institutional theory, we can conceive the adoption of NPM-inspired performance measurement systems by local councils as being for symbolic purposes. That is,

the adoption of new performance measures indicates that a council is well managed, and thereby, deserving of legitimacy and access to resources.

We address several questions. Did the change from output-based to outcome-oriented performance measurement system become institutionalised at the Kiwiville City Council (KCC)?^[1] If so, how did this occur? Further, to what extent was community consultation influential in decision-making processes and in achieving outcomes aligned with community expectations?

2. Performance measurement systems and accountability

Performance measurement issues in the public sector have been well explored over the past decade (Modell, 2009; van Helden, 2005; Broadbent and Guthrie, 2008). A common theme is that public sector performance measurement is linked closely to accountability (Sinclair, 1995; Guthrie and English, 1997; Kloot and Martin, 2000). In its simplest form, accountability involves a relationship in which people with delegated power provide accounts and take responsibility for their conduct (Sinclair, 1995).

From a theoretical perspective, performance measurement systems have strong potential to improve accountability in the public sector. Through the implementation of an effective performance measurement system and the issuance of reports on activities and accomplishments, elected representatives can obtain information from public sector bodies on the quantity and quality of services provided to their constituents. They can subject this information to public scrutiny, thereby enhancing transparency, increasing levels of trust and confidence, and increasing public support and legitimacy for the public sector organisation (Sanger, 2008).

However, in practice, consistent findings have indicated that performance measurement systems (particularly output-oriented systems) have adverse consequences for accountability. The public sector is alleged to have become more concerned with financial management techniques and measurement processes than with the context in which performance measurement systems operate (Bowerman, 1995; Guthrie *et al.*, 1999; Kloot and Martin, 2000; Liu, 2009; Verbeeten, 2008; Nyamori, 2009). Instead of “what *should* we measure?”, public sector performance measures have been found to be influenced by “what *can* we measure?” Such a finding has been made across different countries, cultures, degrees of commitment to NPM, and types of performance measurement reform (Bowerman, 1995, in the UK; Guthrie *et al.*, 1999, in Australia; Pallot, 2003, in NZ).

For the purpose of this study, two views of accountability are examined: managerial accountability and public accountability. Under managerial accountability, the terms “accountability” and “efficiency” are interchangeable. Accountability is “merely one of a collection of instruments (along with devolved management, contracts, incentives, private sector technologies [. . .]) used to promote efficiency” (Pallot, 2003, p. 134). From an economic-rational perspective, an output-oriented performance measurement system can greatly enhance managerial accountability, because it leads to improved efficiency (Verbeeten, 2008).

Public accountability is not just “a means to an end, but [has] fundamental constitutional significance in itself” (Pallot, 2003, p. 135). With public accountability, factors other than efficiency, such as “effectiveness of outcomes, social justice, legality, legitimacy and probity” need consideration (Pallot, 2003, p. 135). From a long-term perspective, output-oriented performance measurement systems are often ineffective

because of overemphasis on measurability and short-term results, and the encouragement (indirectly at least) of gaming behaviour (Verbeeten, 2008). To achieve public accountability, local government needs to move predominantly to outcome-oriented performance measurement.

3. Analytical framework

Neo-institutional sociology has been used in many public sector studies (Broadbent and Guthrie, 2008; van Helden, 2005). A common focus of studies has been on isomorphism: that is, the pressures on organisations to make institutional changes that conform to imposed regulations (coercive isomorphism), accepted practice (normative isomorphism); or what is perceived to be best practice (mimetic isomorphism) (DiMaggio and Powell, 1983). The concept of decoupling has been used also to explain how public sector organisations cope with coercive pressures to show legitimacy, yet make few (if any) underlying changes (Chang, 2006).

Greenwood *et al.* (2002, p. 60) argue that neo-institutional sociology has given insufficient attention to “conceptualizing and specifying the processes” responsible for the implementation of change. They developed a six-stage model for analysing institutional change. Their model is used here as an analytical frame. This choice was made because we shared the view of Greenwood *et al.* (2002) that a good understanding of process is essential in explaining how and why institutional changes occur. Further, we regard the Greenwood *et al.* (2002) model as particularly useful in determining whether changes are superficial or have been institutionalised.

In Greenwood *et al.*'s (2002) model, stage I is initiated by jolts that disturb the established practices of an organisation. These jolts could be caused by social, technological or regulatory changes. They lead to stage II, in which there are changes in the actors within the organisation (the appointment of new managers or the ascendance of some existing managers). In stage III, the new actors or ascendant existing actors introduce innovations that deconstruct existing practices to allow for the possibility of change. In stage IV, the failing of previous practices is acknowledged and the new system is justified as a solution. Stage V takes place if the actors accept the justification for the new practice. If the diffusion of the new practice leads to a social consensus among actors, this increases diffusion in the organisation. In stage VI, the new practice becomes embedded or institutionalised in the organisational culture and is seen as natural and appropriate (for an analysis of the patterns that contribute to embedding a macro culture, see Pavlovich and Kearins (2004)).

4. Research method

We adopted a qualitative approach to our research enquiries, principally because we see accounting as a socially constructed phenomenon (Chua, 1986). We chose the semi-structured interview method because of its capacity to provide a richness of context and response that is lacking in competing methods. Semi-structured interviews are particularly appropriate (as here) where the researchers intend to explore individuals' reasons for action or their opinions and attitudes (Saunders *et al.*, 2003).

Interviews were conducted with five participants at the KCC to obtain a deeper understanding of contextual and behavioural issues surrounding the council's change to outcome-oriented performance indicators. We complemented the information communicated in those interviews by examining a range of KCC documents. Kiwiville is a

large urban area of NZ. In 2008, the KCC had approximately 1,500 employees and operating revenue of approximately \$NZ300 million. The 12 activities and services listed in the KCC Long-Term Council Community Plan (LTCCP) are grouped into eight business units, each with a general manager to whom several managers report. Four managers from different business units providing a wide cross-section of services were chosen as interviewees. In addition, a politician (i.e. one of the 13 councillors) was interviewed.

Past research on performance measurement changes in the public sector indicates that the type of task performed by interviewees influences their behaviour (Carlin and Guthrie, 2001; Lonti and Gregory, 2007). Tasks that involve high-volume, routine processing activities with single products have stable performance information elements over time, and there is a high level of stakeholder consensus; activities with opposite task characteristics face a more unstable political environment and have a higher rate of change in performance information elements (Alford and Baird, 1997). Tasks performed by people in local government are classifiable according to the observability of the outputs and outcomes as production, procedure, craft or coping activities (Wilson, 1989) (Table I).

The dimension “observable *outcomes*” relates to the level of difficulty in defining or measuring results. The dimension “observable *outputs*” relates to the level of difficulty in defining or measuring the process. In the present study, we selected a manager from a unit with each type of task. Thus, a manager was interviewed from each of the units responsible for waste minimisation and disposal (production), community support (procedural), water supply (craft), and city planning and development (coping). The interviewees had been involved in local government for between two and 22 years. Only one had been at KCC for less than four years (15 months). The interviews lasted from 40 to 60 minutes. They were recorded, transcribed fully and coded for underlying themes.

Access to the first interviewee was obtained through an existing contact of one of the authors. The other interviewees were approached on the recommendation of the first interviewee. All interviewees agreed to be audio-recorded. Only one interviewee objected to being named in any subsequent published report.

Some limitations should be noted. Interviewees can encounter recall problems or be affected by “social desirability or ‘party-line’ motivations” (McKinnon, 1988, p. 43). To minimise these effects, alternative sources of evidence were examined, including the council’s activity management plan, annual report, LTCCP and draft report and final report for 2009-2019 (KCC, 2008a, b, 2009a, b), together with relevant legislation and commentary. We acknowledge that interviewees are prone to give personal views that may differ from those of other managers in the organisation. However, this is a feature of any research asking for personal views.

		Observable outcomes	
		Yes	No
Observable Outputs	Yes	<i>Production.</i> Refuse minimisation and disposal	<i>Procedural.</i> Community support
	No	<i>Craft.</i> Water supply	<i>Coping.</i> City planning and development

Source: Wilson (1989, pp. 158-71)

Table I.
Types of public sector activities

5. Findings

NPM in NZ local government

Pallot (2001, p. 647) described NPM reforms in local government in NZ, introduced in the Local Government Amendment Act 1989, as “the most radical restructuring of local government, its finances and its relationship with citizens since [...] 1876.” This act separated politics from management; separated policies from regulatory, commercial and non-commercial operations; and shifted to output-based performance measurement systems (McCulloch and Ball, 1992). The reforms required local councils to consult with local communities about plans and performance and to produce financial and performance reports (Pallot, 2001, 2003). Definitions of performance indicators were provided. Inputs were defined as “the resources used in producing outputs; outputs as the goods and services produced by departments; and outcomes as the effect of governmental outputs [...] on communities and society” (Lonti and Gregory, 2007, p. 469). For performance reporting purposes, the use of outputs was encouraged strongly and consequently applied widely across a range of services. Output was preferred over outcomes because usually there is no clear relation between the causes and the achievement of outcomes. The proponents of the reforms argued that managers should be accountable for the results they could control.

The strong emphasis on output-oriented reporting created incentives for managers to prioritise measurability over relevance. Moreover, the disparity between the use of outcome and output meant that outputs were detached from outcomes, and that short-term success could be achieved at the expense of long-term well-being. This encouraged managerial accountability to dominate public accountability in the public sector (Lonti and Gregory, 2007; Pallot, 1999, 2003; Fisher and Downes, 2008). Nonetheless, some councils opted to focus on public accountability by promoting citizen participation as a way of building a stronger commitment to the long-term improvement of council services (Kloot and Martin, 2000).

Stage I. “The jolt”

At the turn of the twenty-first century, a policy shift in the NZ public sector led to reforms that focused on “managing for outcomes.” Economic-rationalism was abandoned in favour of a combination of intuitive and rationalist approaches (Pallot, 1999; Lonti and Gregory, 2007). At the local government level, there were three major pieces of legislation: the Local Electoral Act 2001, the Local Government (Rating) Act 2002, and the Local Government Act 2002 (LGA 2002). These acts helped local councils to obviate overemphasis on short-term planning, strengthen accountability, and encourage long-term planning and decision making. The concept of community participation, introduced during the local government reforms in the late 1980s, was emphasised further in the LGA 2002 (Pallot, 2001). The mandatory requirement for local councils to prepare a LTCCP every three years was a critical element of the LGA 2002. The LTCCP aims to provide a long-term focus for the decisions and activities of local authorities, to coordinate their resources and decision making, and to provide a mechanism for being held accountable by communities.

The LTCCP is a key strategic planning document for NZ local governments. It contains plans for community outcomes and activities that a local council intends to provide over a minimum ten-year period. Councils are required to publish a draft version of the report, including details of how they intend to achieve the community

outcomes identified. This draft plan is then scrutinised by local communities. They can make submissions and recommend changes to the proposed services. Local councillors consider the public submissions and decide whether to amend the LTCCP. Local councils are obliged to set their rates based on the level of services stated in the LTCCP. The LTCCP is audited by the Office of the Auditor General.

Passage of the LGA 2002 was a “jolt” to the established practices of local councils (stage I of the Greenwood *et al.*, 2002, model). This jolt led to the emergence of new actors and changes in the organisational structure of KCC.

Stage II. Implications of the jolt

The KCC manager of planning and performance (hereafter, simply referred to as the manager of planning) indicated that the legislative requirement to prepare an LTCCP had strong potential to influence the operation of local government authorities in NZ:

At a technical level, the LTCCP and the Local Government Act offer performance measurement a big step-up in New Zealand compared to other countries. A lot of my work has been in [...] the USA, the UK, Europe and South Africa as well as Australia. Performance measurement in those countries is very difficult [...] because of a lack of supportive legislation [...] whereas New Zealand is [...] leading the charge on this by putting structure around what local government does for performance measurement, specifically through the long-term council community planning process.

The LTCCP must contain an audit report that indicates “the extent to which the forecast information and performance measures provide an appropriate framework for [report users to make a] meaningful assessment of the actual levels of service provision” (LGA 2002, s94 (1) (c)). The Office of the Auditor General has a strong influence during and after the preparation of the LTCCP. According to one interviewee, the auditor general can “at the extreme, qualify the LTCCP and even suggest to the government that there is maladministration in the council.” A council can be penalised heavily if it is deemed to apply insufficient effort in preparing an LTCCP.

The impact of the LGA 2002 has been significant for KCC. The complexity of managing the KCC’s budget of approximately NZ\$300 million is compounded by the need to prepare the LTCCP with forward projections over ten years. To cope with this complexity, the council created the position of the manager of planning in 2005. According to the manager appointed to this post, the main responsibilities involved planning, “which means managing the long-term community planning process, the big planning process for the council, setting plans and budgets for the next ten years”; and monitoring, which involves “the announcement of performance and the correction of shortfalls in [...] those plans, whether they be financial or non-financial”:

[My department doesn’t] tell the units what they must measure, but we do act as a filter and have a number of steps in the middle to ensure that when the key performance indicators get to council, [they’ve] been signed off by Corporate Performance, the accountant, the general manager of the department and the CEO [...] so that [they] accurately describe what needs to be managed and they have been set at an appropriate level using benchmarks.

The manager of planning also indicated that he had an indirect role as an internal auditor of LTCCP reporting; and that during the external auditing process, the Office of the Auditor General mainly dealt with him rather than other unit managers in the council.

This is consistent with stage II of Greenwood *et al.*'s (2002) model: a new "player" with an influential role had emerged (the manager of planning). However, this change is interpretable as an isomorphic reaction by the council to the requirement to prepare a LTCCP. Although one of the main responsibilities of the new manager is to liaise with the Office of the Auditor General, this could be regarded as decoupling through "the creation and enhancement of organisational sub-units explicitly to manage the external audit process" (Power, 1997, p. 96).

Stage III. Innovations

Community participation is expected to play a significant role in achieving the goals of the LTCCP (LGA 2002, schedule 10). Councils are required to identify, through public consultation, desired community outcomes: that is, what the local community regards as essential to their current and future social, economic, environmental or cultural well-being (LGA 2002, s.5). Managers are then required to show that the services reported in the LTCCP will help achieve the community outcomes identified. However, the inherent ambiguity of outcomes can confound determination of whether an objective has been achieved or who should be held accountable if the objective is not achieved. The following community outcomes were identified and reported by the KCC in its LTCCP report for 2009-2012: safety, inclusive and diverse communities, valuing and protecting the natural environment, good government, prosperity, health, recreation, fun and creativity, lifelong learning, and good urban design.

Councils are also required to consult with the public concerning the level of services to be included in the LTCCP. The managers interviewed seemed favourably disposed to this process. However, the councillor interviewed was not. She was inclined not to support consultation because of difficulties in implementing any ensuing requests for changes to draft plans. The councillor argued that it would be much better and easier to introduce changes before the draft plan stage. She also drew attention to another difficulty in the consultation process relating to the political structure of the council. If services that were not included initially have to be added subsequently, funding generally has to be provided by raising rates or reducing other services. The councillor remarked that obtaining consensus on either of these options is very difficult in the council, even by the majority political party:

The council can't effect change as easily as the public thinks they can or councillors might like [...] it's probably become more of a straitjacket than I thought it was going to be [...] Has [the LTCCP] become what they [the legislators] saw, or have the accountants taken over?

This difficulty or inability to make changes is consistent with there being a decoupling in the LTCCP process.

Nevertheless, the LTCCP process appears to have given councillors a better capacity to understand council operations and to discharge their public accountability. Ostensibly, although councillors are the decision makers in the council, managers have significant power to influence budget and decision processes. In the opinion of the councillor interviewed:

If we didn't have [public consultation], the council wouldn't have the background to challenge what the staff said [...] you get a range of professional opinions coming in. They [the public] outline what their views are of a particular issue. They are often very valid. If you [...] just have

reports from the staff [and] don't have a background in the area, you just don't know [...] Without the public consultation, you will be in a sort of bubble and very dependent on staff advice.

In terms of structural changes, the LTCCP employs activity-based reporting instead of traditional department-based reporting. The intention is to minimise “silo-isation” or “the propensity of departments and agencies to focus on the production of their own outputs rather than to work co-operatively in pursuit of policy outcomes” (Lonti and Gregory, 2007, p. 470). The new activity-based reporting structure ensures that local councils align their plans and activities with overall council objectives and community well-being; and that they improve cooperation between departments. When more than one department performs an activity, public submissions usually are sent to several departments. Managers in those departments are required to work together to address the issue.

Managers have been forced to take a broader view of the budgetary and qualitative implications of their planning decisions by the public consultation process, the long-term period of the LTCCP, and the requirement for activity-based reporting. Managers now are more inclined to regard themselves as personally accountable to the people they serve, and not only to their superiors[2]:

No matter at what level you are involved in a contract or achieving an outcome, there needs to be personal responsibility and accountability. [...] Sometimes we are locked in our tiny box and we can't see beyond it, but within the system we know that we are contributing towards the outcomes that the community are expecting of us as a city.

The preceding innovations have been effected through legislative changes. However, the manager of planning made his own innovations too. He set up a new internal reporting system with standardised forms to help ensure consistent reporting across the council. He transformed the previous unit-based financial system by introducing a balanced scorecard approach. In doing so, perhaps he was influenced by empirical evidence based on experience at the Dunedin City Council that the use of scorecards “enables employees to clearly appreciate their role, and focus on delivery of performance-related measures which support organizational strategy” (Greatbanks and Tapp, 2007, p. 846). Further, he established a reporting timeframe that required managers to prepare (and follow up on) reports on a monthly basis. Managers who failed to meet deadlines were held accountable. Staff from different departments were allowed to access each other's information online.

Additionally, the manager of planning has encouraged managers to set service-level targets. He promoted a system in which targets reflected the quantity and quality of services provided as well as the efficiency, effectiveness and timeliness of operations. Further, he argued that selecting targets should not be seen as “finding and matching” something that would ordinarily fit perfectly. Benchmarks were to be chosen according to the level of services provided and the overall context of the council. Managers were required to include a rationale for choosing a particular benchmark in their activity management plans. These examples show that, apart from legislative requirements, the manager of planning was responsible for independent innovations and terminations of previous systems. Thus, he created the opportunity for the institutionalisation of new routines.

Stage IV. Rationalisation and rhetoric for change

Rarely is the adoption of changes by organisations automatic. In the case of the KCC, the implementation of some of the new practices was mandated legislatively. However, changes resulting from coercive means can be cosmetic, especially if they contradict the existing, embedded organisation culture. For new practices to replace previous practices, the failings of previous practices must be identified and the new system then promoted as the solution (Greenwood *et al.*, 2002). The manager of planning was alert to this:

The legislation merely provides the environment [for change]. If you want to pursue this, the legislation will help you, but if you don't want to, then no amount of legislation will help you [...] You can centralise it, set standards, police it, publish league tables, threaten to take budgets, [but] it is not the same as people wanting to do it.

For real changes to take hold within the council, the manager of planning could not rely solely on complying with legislation. Instead, it was important for him to convince other actors of the need for change. To do so, he tackled each change differently. Thus, for the change from department- to activity-based reporting, he highlighted inherent weaknesses in department-based reporting:

Departmental structures change constantly. Not all is rational or logical and they don't usually make sense to the community the way actual services do. They are arbitrary and based on personality and other politics.

While activities provided by the council have also been subject to changes, those changes were due to a shift in societal needs rather than political whims. Activity-based reporting was promoted because it was deemed likely to give a clearer picture of council performance.

In reporting on that performance, the manager of planning argued against relying on a single performance measure. Although local councils are required by the LGA 2002 to identify and report on community outcomes, achieving such outcomes can be beyond the control of managers. Outcomes themselves can be vague and difficult to measure. Reporting solely on outcomes means that "you can do as little or as much as you want and no one would ever know." Therefore, reporting outcome measures alone could allow managers to avoid accountability. The manager of planning claimed that a variety of measures was required, and that the solution should not rest on a choice between output and outcomes. Rather, it was important to acknowledge the relationship between the two.

The manager of planning argued that benchmarking was a good organisational practice; and that it was likely to benefit managers and the council by improving day-to-day operations and the LTCCP process. He pointed out that the legislation did not properly define how benchmarking should work. He contended that a compliance approach to benchmarking would mean additional work for managers and would not add value; that good practice should drive the conduct of a benchmarking exercise; and that councillors and external auditors are "much happier" when they can see "proper" benchmarks in place.

However, the manager of planning acknowledged that the process of change could be challenging, especially in local government. Because many of the activities provided by the council do not produce tangible results, their measurability was limited. He believed it likely that people would say, "you can't possibly measure what we do – it's

all too hard.” Then, people would swing to “measur[ing] everything and end up with pages of stuff.” Thereafter:

[...] they start to measure what actually counts, the vital few things that they need to know. And [finally] they measure not just the vital few, but the ones that will help them improve. [...] you can [get to the final stage] if you are flexible enough with your views [...] If you come on it from [the] [...] angle [of] “quantity, quality, efficiency, effectiveness”, it is actually pretty easy.

The manager of planning built his rationale for change as follows. First, since the changes were mandated by legislation, he suggested that instead of putting up resistance, effort should be placed on adapting to those changes. Second, the new practices were portrayed as improving the accountability and transparency of the council, thereby appealing to the responsibility and accountability of the managers. Last, the changes were shown to improve the performance of individual departments and the council as a whole.

Stage V. Diffusion of new practices

Actors performing different types of task experience differences in institutional pressure to conform (Lonti and Gregory, 2007). The responses of unit managers indicate that the ease of adopting new practices, and managers’ optimism about the new system, decrease in relation to the observability of the outputs and/or outcomes (Table I, Wilson, 1989). A manager responsible for minimising garbage and disposing of it (production) and for water supply (craft), showed strong confidence in the system:

There are no flaws in the system. [...] we’ve everything available to us that we need to put in place [...] Some of [our measures] are a little easier, the physical assets and tangible results [...] some are harder to measure and to see the community benefits [...] But the systems, processes and resources are in place to allow every team to achieve the outcomes.

To a lesser extent, a community support manager (procedural) believed that the change was necessary and beneficial. She believed that some shortcomings in adopting the changes could be overcome:

Community Development is pretty hard [...] It’s about quantity effect and quantity effort versus quality effect and quality effort. The quantity stuff is what we called the “bums-on-seats” stuff, e.g. we run a holiday programme and we have 50 kids come through it [...] The quality side is then doing some evaluation on that programme [...] It is making us think [...] of each of the areas that we do: who is better off? Have we made a difference?

A strategy support manager who is partly in charge of city planning and development (coping) highlighted the following problem:

In many areas we don’t have good information [...] The outcomes that we want to deliver are long-term, and there is a whole succession of interim steps between what we [are] doing and the outcomes that we want to achieve [...] But there are [...] differences in the causal relationship between what we are doing and those high level outcomes. We can measure whether we complete the projects that we said we are going to deliver; or we can measure some of the outcomes by getting that causal relationship, which is much more difficult.

In the report on KCC's LTCCP for 2009-19, most of the activities disclosed under "City Planning and Development" are project timelines. The report fails to link activities performed and outcomes achieved clearly. The manager of planning attributed part of this problem to lack of information. However, he argued that departments such as strategic planning (which do not provide direct services to the public) have difficulty defining activities and linking such hard-to-define activities with vaguely specified community outcomes.

The nature of tasks carried out by managers affects their ability to make reporting changes. From an institutional theory perspective, coping activities have a higher tendency to be decoupled from the LTCCP process. The preceding examples show that not all activities provided by the council fit into the mould of available performance measures. This lends some support to the suggestion of Lonti and Gregory (2007, p. 481) that managers can "enhance genuine accountability" through narratives or story-telling, instead of having to pursue a never-ending quest for more specific performance indicators. Thus, the public may be better served by descriptions of KCC plans in the LTCCP, rather than measures that are not outcomes.

The level of acceptance among councillors is also important. Using Wilson's (1989) typology, the duties of councillors are best categorised as "coping." This is because councillors make decisions based on personal judgments after considering information from council managers. The councillor indicated that the council uses information in the LTCCP as follows:

We probably look at the figures and we look at what was happening last year. We make sure there is not a huge increase [...] What we are trying to do is hold the rates. That's probably the overall goal.

The councillor was sceptical of the practice of identifying and reporting community outcomes:

They [community outcomes] don't do any harm, other than create work for staff members. It is probably something to do with council too. Politicians haven't really got together and said what we really want to achieve [...] we probably don't need to legislate for it. We probably need to do it as a council [...]

While the councillor agreed that the intention of the initiative was good, she did not believe it was especially relevant. Thus, decoupling effects are evident at the diffusion stage, in an area in which coping activities dominate.

Stage VI. Entrenchment

The LTCCP has become part of the normal operation and structure of KCC. Since its introduction, the LTCCP has been prepared three times by KCC: the 2004-14 draft, the 2006-16 draft and report, and the 2009-19 draft and report. The managers interviewed regard preparation of the LTCCP to be lengthy and complicated, leading to a workload that they described variously as "immense" and "horrible." As a consequence, new strategies for individual departments have been introduced to facilitate the LTCCP process:

In 2006, I didn't have my cyclical information down to unit-by-unit for all my housing [portfolio]. In 2009 I do. So to plan out the next 10 years, [the] maintenance [schedule] really wasn't an issue. We already had it there. I think each time we will get better and become more strategic. I think it has been a huge learning curve for everybody.

The concept of the LTCCP has strong support at the KCC; it forms part of the language of KCC. The notion of providing accountability to the public through reporting in the LTCCP is accepted by managers. All unit managers interviewed agreed that the LTCCP has improved the planning process within the council. One of them commented:

I think [the LTCCP] is very good. It gives accountability for councils and guidelines for managers to work with. It streamlines our planning [and] budgeting because we have to sit down and work out what is important. From a planning perspective, it means that the planning is a lot more structured.

The LTCCP appears to have become institutionalised within KCC.

6. Conclusions

The KCC experience highlights the process of institutionalisation of a different performance measurement system. The six stages of the Greenwood *et al.* (2002) model frame our understanding of how the changes initially imposed by the LGA 2002 were accepted voluntarily, extended, diffused, and entrenched in the council through the efforts of a new actor (the manager of planning). The KCC case shows how institutional pressure affects actors differently. For some actors whose outcomes and/or outputs could not be observed easily, there was some evidence of decoupling. Some outcomes were perceived to be too vague to provide a clear direction for planning purposes. However, conceivably, had outcomes been too specific they could have restricted the operation of the council by discriminating in favour of particular services or community groups.

The main thrust of the LGA 2002 was to improve the accountability of local government. The mandating of community participation in preparing the LTCCP is a mechanism for achieving such improvement. However, interviewees disagreed about the efficacy of consultation. The councillor claimed that insufficient time and resources were available to make substantive changes to the LTCCP between the release of the draft plan and ratification by council. The preparation of the LTCCP is a complex process, especially for a council the size of KCC. Major changes can significantly delay publication of the final report. The additional workload involved and the possibility of failing to meet the reporting deadline required by the LGA 2002 have deterred substantial changes being made to the draft LTCCP.

Although it is unclear whether community consultation has improved accountability, managers at KCC appear to have benefited from the process. They now claim to be more people oriented. Even though some managers have faced a significant increase in workload, they are still disposed positively to community consultation. They regard the opportunities it provides to be helpful in ascertaining the perceptions of stakeholder groups other than management, and in assisting councillors to make better-informed decisions.

The interviews indicated that the change process seems to have had a stronger influence on managers than on councillors. Managers showed positive attitudes to changes that have increased community accountability. They appeared well disposed to being held more accountable to the local community. One explanation for this is that new performance measurement systems enable managers to display their achievements to the public. From an institutional theory perspective, the concept of public accountability is embedded deeply in the normal duties of councillors, and is seen as natural and ordinary. These observations are consistent with the broad view that managers have

managerial accountability and councillors have public accountability (Guthrie and English, 1997).

This contextual account of a change to a more outcome-based reporting system helps us better understand performance measurement systems thinking in a local government environment. By drawing on Greenwood *et al.*'s (2002) model, we have provided a six-stage explanation of how the KCC progressed in implementing change. Nonetheless, the change at KCC was not institutionalised completely. There were examples of decoupling, particularly for actors who were unable to quantify and observe outcomes. Evidence from the KCC experience indicates that even if there is an empowered change agent (such as the manager of planning) change is not institutionalised completely or automatically.

Future research, in other local councils in NZ and elsewhere, using the Greenwood *et al.* (2002) model as an analytical lens, and drawing on more extensive interview data and other sources, could be conducted to validate and reinforce the findings of this exploratory study.

Notes

1. We introduced this pseudonym in response to suggestions received during the review process.
2. A reviewer draws on this and subsequent reporting of results to allege there is an ethos of top-down managerialism at KCC.

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