

Assessing the Implementation of Institutional Change in Local Government: Christchurch City Council and the Long Term Community Council Plan

Authors:

Chia Yie Tan
Amanda Ball
Russell Craig
Beverley R. Lord

Institutional Affiliation:

University of Canterbury

Corresponding Author:

Beverley Lord
University of Canterbury
Private Bag 4800
Christchurch 8140
New Zealand

Email: beverley.lord@canterbury.ac.nz
Phone: +64-3-364 2620
Fax: +64-3-364 2727

Key Words

Accountability; change; institutional theory; local government; performance measurement; reform; New Zealand.

Acknowledgements

The authors are grateful for the comments received from the attendees at the 2009 National Honours Colloquium, University of New South Wales, Sydney, 21st August 2009, especially feedback from Dr Paul Andon. We would also like to thank staff at Christchurch City Council for their willingness to be interviewed.

Assessing the Implementation of Institutional Change in Local Government: Christchurch City Council and the Long Term Community Council Plan

Abstract

The weakening of public accountability in the public sector, observed after the New Public Management reforms in the late 1980s, raises concern about the merit and effectiveness of local government reforms in the early twenty-first century. The present study gives a contextual account of experience in replacing output-based performance measures with outcome-oriented performance measures in a New Zealand local council. A major purpose is to improve understandings of how institutional pressures affect actors in the public sector. We explore change at Christchurch City Council using the lens of the six-stage model of institutional change proposed by Greenwood et al. (2002). Responses from semi-structured interviews with four managers and a city councillor suggest that the less definable the outputs and/or outcomes of activities are, the harder it becomes for actors conform to new organisational practices. A strong finding is that processes of community consultation lead managers to be more people-oriented, and reduce information asymmetry between managers and councillors.

1. Introduction

New Public Management (NPM) is a global phenomenon, in which reforms seek to reduce the differences between public and private sector activities. NPM reforms have had the effect of moving the public sector from input-oriented activities to result-oriented activities (Demirag and Khadaroo, 2008; 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 both layers of government — central and local government.

Embrace of a NPM mentality has renewed interest in performance measurement techniques (Johansson and Siverbo, 2009). Proponents of NPM reforms have emphasised quantification in the new performance measurement systems that have been deemed essential in achieving the NPM objective of becoming a result-oriented public sector. This has led to strong support of output-based performance measurement systems (Jacobs, 1998; Pallot, 2003). Nonetheless, Pallot (1999) has questioned the rationality of importing private sector practices into the public sector, especially at a time when the private sector was moving away from reporting solely in terms of economic measures.

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

There are strong and legitimate concerns that public sector organisations in NZ are making merely superficial changes to meet regulations and to satisfy political superiors. These concerns have been expressed by the NZ Auditor-General:

Overall, 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 accord with institutional theory (Meyer and Rowan, 1977), which suggests that organisations adopt new or popular practices for legitimacy-seeking purposes.

Although there is extensive research on NPM reforms in the NZ central government (Jacobs, 1998; Pallot, 2003; Lonti and Gregory, 2007), relatively little research has focused on local government. This is surprising considering that NZ local councils have significant responsibilities for the provision of public sector services, including in transportation, water supply, refuse collection, cultural facilities, and learning services. Moreover, no research appears to have examined the effects of the shift in performance measurement policy, either at central or local government level. Lonti and Gregory (2007, p. 481) commented that "it will be interesting to see the extent to which the current strategy of 'managing for outcomes' is associated with changing patterns of output classes, given that there is now more statutory flexibility available to departments in the collaborative pursuit of policy outcomes."

The present study aims to provide preliminary contextual insights to the implications of the shift to an outcome-based performance measurement system in the NZ public sector, specifically, at the local government level. The study also responds to Johnsen *et al.*'s (2001) call to include politicians in research examining the relations between use of performance information and accountability. A likely benefit of such inclusion, as here, is to produce more comparative and descriptive studies of local government.

Aims

Performance measurement serves as a form of organisational control, regardless of whether the organisation is in the for-profit, public or non-profit sector. Child (1984, p. 136) argues 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 government, which serves a wide range of stakeholders and faces possible misaligned priorities between politicians and managers due to differences in responsibilities and parties to whom they are accountable (Umashev and Willett, 2008).

Performance measurement reform at the local government level in NZ has been mandated through legislation. It has not been brought about willingly and without resistance. Using DiMaggio and Powell's (1983) arguments based on institutional theory, legislative changes could be viewed as local councils adopting new performance measurement systems for symbolic purposes: that is, to indicate that the council is well managed in order to gain legitimacy and access to resources. Empirical research has shown that community consultation can improve the performance and accountability of local councils. For example, Corrigan and Joyce (1997) found the local councils that received substantial community input during planning stages were able to achieve outcomes which were more congruent with community expectations.

Three specific research questions are explored. First, how has change from an *output-oriented* to an *outcome-oriented* performance measurement system become institutionalised in the Christchurch City Council? Second, what are the factors underlying changes in the behaviour of actors in the Christchurch City Council? Third, how influential is community consultation in the decision-making process?

2. Literature and Analytical Framework

Performance Measurement Systems and Accountability

Due to the adoption of NPM practices by governments worldwide (Hood, 1995), performance measurement has been a highly researched field in the public sector over the past decade (Modell, 2009; van Helden, 2005; Broadbent and Guthrie, 2008). Issues of accountability and governance have been the most prominent concerns (Broadbent and Guthrie, 2008). Researchers have argued that performance measurement in the public sector is linked closely to accountability (Sinclair, 1995; Guthrie and English, 1997; Kloot and Martin, 2000). Although accountability is a highly sought after quality in the

public sector, how to define accountability and understand how accountability is provided ,remain unresolved (Sinclair, 1995). In its simplest form, accountability involves a relationship in which people to whom power is delegated 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 an effective performance measurement system, elected representatives would be able to obtain information on the quantity and quality of the services provided to their constituents in order to meet political promises and demands from higher executives. Reporting on activities and accomplishments (i.e., subjecting the information to public scrutiny) would also make the processes more transparent. This could increase stakeholders' trust and confidence, leading to increased public support and legitimacy for the public organisation (Sanger, 2008).

However, in practice, findings have indicated consistently that performance measurement systems (particularly output-oriented systems) have adverse consequences for democracy and accountability. Since output-oriented performance measurement systems have been implemented, the public sector has 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). Instead of "what *should* we measure?", the question has become "what *can* we measure?" This finding is consistent across different countries with different cultures and with different degrees of NPM and performance measurement reform (e.g., Bowerman, 1995, in the UK; Guthrie *et al.*, 1999, in Australia; Pallot, 2003, in NZ).

One explanation for the paradoxical effect of output-oriented performance measurement systems with regard to accountability is that different parties interpret accountability differently (Pallot, 2003). 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 and so forth) used to promote efficiency" (Pallot, 2003, p. 134). From an economic-rational perspective, an output-oriented performance measurement system can greatly enhance accountability as 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). Factors other than efficiency, such as "effectiveness of outcomes, social justice, legality, legitimacy and probity", must be taken into consideration (Pallot, 2003, p.135). From a long-term or democratic perspective, an output-oriented performance measurement system is ineffective because of its overemphasis on measurability, short-term results and indirect encouragement of gaming behaviour (Verbeeten, 2008).

Analytical Framework

The theoretical framework used in this paper is Greenwood *et al.*'s (2002) six-stage theory of institutional change. Greenwood *et al.* (2002, p. 60) argue that research based on neo-institutional sociology has given insufficient attention to "conceptualizing and specifying the processes that move innovations" beyond the implementation of change. They stressed that a good understanding of the process is essential in explaining how and why changes occur. They developed a six-stage model for analysing institutional change.

Stage I is initiated by events or jolts that create a disturbance in the established practices of an organisation. These jolts could be social, technological or regulatory changes. They lead to Stage II, in which there are changes in the actors within the organisation, such as the introduction of new actors or the ascendance of existing actors. Stage III happens when the new actors or changes in existing actors bring about new ideas and innovation that deconstruct existing practices to allow for the possibility of change. In Stage IV, two important events occur: the specification of a failing of the previous practices; and the justification of the new system as the solution to the problem. Stage V takes place if the actors within the organisation accept the justification for the new practice. If the diffusion

of the new practice leads to social consensus among actors regarding its practicality, this increases diffusion in the organisation. In Stage 6, the new practice becomes embedded in the culture of the organisation, becomes taken for granted, and is seen as a "natural and appropriate arrangement" (Greenwood *et al.*, 2002, p. 61).

This six-stage institutional change model is used as the analytical frame in this paper. The model is particularly useful in determining whether changes were superficial or whether they were institutionalised (that is, had reached Stage VI).

3. Research Method

Public sector organisations are required to satisfy a wide range of stakeholders who have different objectives and priorities (Sanger, 2008). This is in contrast with the private sector, whose primary objective is to achieve financial success. Therefore, the rational process approach applied by positivist researchers is unable to fully account for contextual factors involved in the operations of the public sector (Umashev and Willett, 2008). Llewellyn (1998) also argues that research should not focus solely on demonstrating the development of events, but also focus on explaining the events in a particular context. Therefore, a case study design is used here to examine the contextual issues surrounding the practical implementation of performance indicators, and how they affect behaviours in a local council.

Christchurch City Council (CCC) was chosen as the research site. Christchurch is the largest city in the South Island of NZ and third largest urban area of NZ. In 2008 it had 1559 employees, operating revenue of \$NZ 399 million, a land area of 1,610 square kilometres, and a "usually resident population of 348,435 (retrieved from http://www.localcouncils.govt.nz/lqip.nsf/wpg_URL/Councils-A-Z-Councils-Christchurch-City-Council-Main?OpenDocument, on May 19, 2010). The interviewees were all senior council managers, with one exception (a research analyst).

The study did not include all departments of the CCC. Further, the job tenure of the managers interviewed ranged from eleven months to four years. Consequently, the

interviewer may not have captured all the changes since the LGA 2002 was passed. The findings are not generalisable to all local councils.

The main source of empirical data was semi-structured, open-ended interviews. The five interviewees were a local councillor, the manager of planning and performance, and three unit managers from different departments. Interviews ranged from 40 minutes to an hour each.

Past research on performance measurement changes indicates that the tasks performed by interviewees influences their behaviour (Carlin and Guthrie, 2003; Lonti and Gregory, 2007). Alford and Baird (1997) show that high-volume, routine processing activities with single products have stable "performance information elements" over time and there is a reasonably high level of stakeholder consensus; activities with opposite task characteristics face a more unstable political environment with a higher rate of change in performance information elements. Therefore the departments selected were based on their task properties, as classified by Wilson (1989) (see Figure 1).

		Observable Outcomes	
		Yes	No
Observable Outputs	Yes	Production Refuse minimisation & disposal	Procedural Community support
	No	Craft Water supply Wastewater collection & treatment	Coping City planning & development

Figure 1: Types of Public Sector Organisations
(Wilson, 1989, pp. 158-171)

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. The four types of department sampled were: waste collection and minimization (production), community support (procedural), water supply (craft) and city development (coping).

All interviews were recorded, transcribed fully, and coded for underlying themes. The coding acknowledged two important characteristics of language use (Llewellyn, 1998). First, was the role of discourse. This was because managers often engage in debates with others when implementing new changes. Llewellyn (1998) argues that the motivation of managers is to influence and convince people to accept changes through their explanations. Second, was the importance of context in understanding the words used. The meaning of words is bounded explicitly by the context in which words are situated (Llewellyn, 1998).

There are limitations in using interviews. Interviewees might 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, 2009-2019 Long Term Community Council Plan (LTCCP), draft report and final report (CCC, 2008a,b, 2009a,b), as well as relevant legislation and commentary.

4. Results

NPM in NZ Local Government

NPM reforms at local government level in NZ were introduced in the *Local Government Amendment Act (No 2) 1989*. This Act was described by Pallot (2001, p.1) as "the most radical restructuring of local government, its finances and its relationship with citizens since... 1876." As well as separating politics from management, separating policies from regulatory, commercial and non-commercial operations, and shifting to output-based performance measurement systems (McCulloch and Ball, 1992), the reforms required local councils to consult with local communities about their plans and performance (Pallot, 2001).

Additionally, the *Local Government Amendment Act (No 2) 1989* required financial and performance reports to be produced (Pallot, 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, was applied widely across a range of services (Lonti and Gregory, 2007; Pallot, 2003). 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 held accountable for results that are within their control.

However, the strong emphasis on output-oriented reporting created incentives for managers to give priority to 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 wellbeing. Subsequently, this led to managerial accountability dominating over public accountability in the public sector (Lonti and Gregory, 2007; Pallot, 1999, 2003; Fisher and Downes, 2008). Another type of reaction was observed too: some councils opted for a people-oriented approach, in the belief that promoting citizen participation would build a stronger commitment to the long-term improvement of the services provided (Kloot and Martin, 2000). In this case, public accountability was still the primary focus (Pallot, 2001).

Stage I: The Jolt in Local Government

At the turn of the 21st century, a policy shift in the NZ public sector led to a round of 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). According to Pallot (1999), overemphasis on output in the previous system was not a weakness, but part of the process of re-establishing and deeply embedding organisational culture and installing the necessary mechanisms to develop and sustain a system that was more capable of handling the reporting of outcomes. Thus,

another round of reforms was required to move from solely managerial accountability to include public accountability.

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* (hereafter referred to as LGA 2002). These Acts were passed to counter the overemphasis on short-term planning, to strengthen accountability, and to encourage long-term planning and decision-making in local councils. The concept of community participation was introduced during the local government reforms in the late 1980s. This concept was further emphasized in the LGA 2002 (Pallot, 2001). The mandatory requirement for local councils to prepare a Long-Term Council Community Plan (LTCCP) every three years was a critical element of the LGA 2002. The aims of the LTCCP are to provide a long term focus for the decisions and activities of local authorities, to coordinate the resources and decision-making of the local authority, and to provide a mechanism whereby local authorities could be held accountable by communities.

The LTCCP is a key strategic planning document for local governments in NZ. 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 plan to achieve the community outcomes identified. This draft plan is subject to the scrutiny of local communities who can make submissions and recommend changes to the proposed services. Local councillors consider public submissions and decide whether to make amendments before publishing 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.

The passage of the LGA 2002 created a disturbance to the established practices of local councils (Stage 1 of Greenwood *et al.*'s (2002) model). This jolt led to the emergence of new actors and changes in the organisational structure of the CCC.

Stage II: Implications of the Jolt

The mandatory requirement to prepare a LTCCP has the potential to influence the operation of local government authorities in NZ significantly. The legislative backing of the LTCCP is an important factor. The manager of planning and performance commented that:

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 different countries, USA, UK, Europe and South Africa as well as Australia. Performance measurement in those countries is very difficult ... because of a lack of support of 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 (OAG) has a strong influence during and after the process of preparing the LTCCP. According to an interviewee, the OAG 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 does not put sufficient effort into the preparation of an LTCCP.

The impact of the LGA 2002 has been significant for CCC. Managing a budget of almost \$NZ 400 million at the CCC was a complex task. This complexity was compounded by the requirement to prepare the LTCCP with forward projections over ten years. To cope with these complex issues, the position of the manager of planning and performance was created in the council in 2005. The two main responsibilities of this position were:

... first ... the planning stream, 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 in between times, the monitoring of performance, the announcement of performance and the correction of shortfalls in what we promised in those plans, whether it be financial or non-financial. So that means reporting on performance management.

The manager of planning and performance also plays an indirect role as an internal auditor of LTCCP reporting. During the external auditing process, the OAG mainly deals with him and has limited interactions with other unit managers in the council.

We don'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 KPIs [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 the benchmarks.

The above examples are evidence that the conditions for Stage II of Greenwood *et al.*'s (2002) model have been satisfied: a new "player" with an influential role has emerged. However, this change could also be interpreted as an isomorphic reaction by the council to the implementation of LTCCP. For example, one of the main responsibilities of the new manager is to liaise with the OAG. This could be regarded as decoupling, which Power (1997, p.96) has stated is "one *prima facie* sign of decoupling is the creation and enhancement of organisational sub-units explicitly to manage the external audit process." Furthermore, according to the manager of planning and performance, it is not a typical role found in most local councils in NZ, with the exceptions of Auckland and Wellington (the two largest cities in the North Island). Thus, this position created high potential for decoupling LTCCP activities from the normal operations of the council.

Stage III: Innovations

Community participation plays a significant role in achieving the goals of the LTCCP (LGA 2002, schedule 10). Councils are required to identify community outcomes through

public consultation. Community outcomes are what the local community thinks are essential to their current and future social, economic, environmental or cultural well-being (LGA 2002, s5). Thus, participation by all of the stakeholders affected is encouraged and facilitated.

Managers are then required to show that the services reported in the LTCCP contribute to the achievement of the community outcomes identified. Outcomes, unlike outputs, are less subject to narrow definitions. While the inherent ambiguity of outcomes can confound determination of whether an objective has been achieved (or who should be held accountable if the objective was not achieved), it is this quality that enables long-term planning. The following were community outcomes identified and reported by the CCC in its 2009-2012 LTCCP report: safety; inclusive and diverse communities; people who value and protect the natural environment; good government; prosperity; health; recreation, fun and creativity; lifelong learning; and attractiveness and good design.

Councils are also required to consult with the public concerning the level of services to be included in the LTCCP. This type of community participation allows the public a larger say in the operations of their councils. Managers seemed optimistic about the process. They argued that the public consultation process (public submissions and hearings) is the sole purpose for issuing the LTCCP draft to the public before publishing the report. However, the councillor interviewed disagreed:

It is quite difficult to have changes in the public hearing [process]. The draft has almost been set, you have rate levels, and you've got the sort of activity levels. There were some changes, but if people really want to get change, they probably need to do it before the draft plan.

Another difficulty in the consultation process relates to the political structure of the council. To make changes (specifically by including additional services that are not provided initially) funding has to come from another source, either through raising rates or reducing other services. The councillor interviewed remarked that obtaining consensus on either option is very difficult in the council, even when one is part of the majority political party in the council.

What it means is that the council can't effect change as easily as the public think 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?

These comments are further evidence of decoupling in the LTCCP process.

Nevertheless, the LTCCP process appears to have led to councillors having a better understanding of council operations and a better capacity to discharge their accountability to the public. This is because councillors do not necessarily possess the technical expertise to deal with issues in the council. While councillors are portrayed or perceived to be the decision-makers in the council, managers hold significant power to influence events through the budget setting process. In extreme cases, councillors are relegated to mere figureheads. 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 outline what their views are of a particular issue. It is often very valid. If you don't have that, you just have reports from the staff. If you 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 the traditional department-based reporting. The intention is to minimise the effects of "silo-isation": that is, "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 reporting structure ensures that local councils align their plans and activities with the overall council objectives and community well-being as well as improving cooperation between departments. For example, public submissions might be sent to multiple departments if the activity in contention is performed by more than one department. Managers in different departments are then required to work together to address the issue.

The long-term view of the LTCCP and its activity-based reporting have forced managers to take a broader view of the budgetary and qualitative implications of their planning decisions. The process is facilitated further through managers' involvement in the public consultation process:

I think it makes you think about what you do a lot more. If you can't answer the questions, you've got to think, "Why can't I answer it? ... Are they making a valid point and we haven't considered that before?"

Managers perceived themselves to be personally accountable to the people they serve, and not only to their superiors:

No matter at what level you are involved in a contract or achieving an outcome, there needs to be personal responsibility and accountability. I think that this is effectively done ... Sometimes we get 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.

As well as the above innovations that have been affected through legislative changes, the manager of planning and performance made his own innovations. He set up a new internal reporting system, with a set of standardised forms, to ensure consistent reporting across the council. He transformed the previous system, which was an entirely unit-based financial system, into one that employed a balanced scorecard approach. Furthermore, he established a reporting timeframe that required managers to prepare (and follow up on) reports on a monthly basis. The system has been described as "a traffic light system." Managers are required to "flick the lights" before a pre-determined deadline. Managers who fail to do so will be held accountable for failing to perform their duties. This system also allows staff from different departments to access each other's information online.

In addition, the manager of planning and performance has encouraged managers to set targets for the level of services provided. He promotes a multi-variable approach, where the targets reflect the quantity and quality of services provided as well as the efficiency,

effectiveness and timeliness of operations. Further, he argues that the process of selecting targets should not be seen as "finding and matching" something that would fit perfectly. This is because there may be significant differences to the extent of available resources and the size and scope of the council. Instead, benchmarks should be chosen according to the level of services provided and the overall context of the council. Therefore, managers are required to include the rationale for choosing a certain benchmark in their activity management plans. These examples show that, aside from the legislative requirements, the manager of planning and performance did make independent innovations.

Stage IV: Rationalization and Rhetoric for Change

Institutional theorists argue that changes are not adopted automatically by an organisation. In this case, the implementation of some of the new practices mentioned was mandatory, due to legislation. However, changes resulting from coercive means can be cosmetic, especially if they contradict the existing, embedded organisation culture. For new practices to replace old ones, the failings of previous practices must be identified and the new system then be promoted as the solution (Greenwood *et al.*, 2002).

This concept was not foreign to the manager of planning and performance. He had twelve years of experience in local government in several countries.

The legislation merely provides the environment to do it. 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, he could not rely solely on compliance with legislation. Instead, it was important to convince other actors of the need for change. To do so, he tackled each change differently. For the change from department-based to activity-based reporting, he suggested that there were 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 council have also been subject to changes, those changes were claimed to be due to a shift in societal needs rather than political whims. Activity-based reporting was presented as providing stability to the public and as giving a clearer picture of how the council was performing.

In reporting council's performance, the manager argued against relying on a single performance measure. Although local councils are required by the LGA 2002 to identify and report on community outcomes, achievements of outcomes may be beyond the control of managers: outcomes 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, outcome measures alone could provide opportunity for managers to avoid accountability. The manager claimed that a variety of measures was required, and that the solution does not rest in either output or outcomes, but on the relationship between the two.

The manager argued that benchmarking is good organisational practice and beneficial to the managers and the council. He pointed out that the legislation does not properly define how benchmarking should work. A compliance approach to benchmarking would mean additional work for managers and not be value adding. Instead, actively engaging in benchmarking activities could improve day-to-day operations and the LTCCP process. Therefore, the driver for a conducting benchmarking exercise should be good practice. He claimed that councillors and external auditors are "much happier" when they can see "proper" benchmarks in place.

However, the manager of planning and performance acknowledged that the process of change can be challenging, especially in a local government environment. Many of the activities provided by the council do not produce tangible results, limiting their measurability. He said that, initially, people would say "you can't possibly measure what

we do – it's all too hard." Then people would swing to "measure[ing] everything and end up with pages of stuff."

The third stage is where they start to measure what actually counts, the vital few things that they need to know. And the last stage is they measure not just the vital few, but the ones that will help them improve. A lot of people will stay stuck in that first stage... [But] you can [get to the last stage] if you are flexible enough with your views... If you come on it from a "how do I understand the business?" angle – quantity, quality, efficiency, effectiveness – it is actually pretty easy.

In short, the manager built the rationale for change on several bases. 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, appealing to the sense of responsibility and accountability of the managers. Last, the changes were shown as improving the performance of individual departments and the council as a whole.

Stage V: Diffusion of New Practices

Lonti and Gregory (2007) theorise that actors performing different types of task will experience differences in institutional pressure to conform. The responses of unit managers indicate that the ease of adopting the new practices and the managers' optimism about the new system decrease in relation to the observability of the outputs or outcomes. The manager of city water and waste, who is responsible for minimising refuse and disposing of it (production) and water supply (craft), showed strong confidence in the system:

There are no flaws in the system. ... we've got 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. [For others,] 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, the community support manager (procedural) believed that the change was necessary and beneficial. She admitted some shortcomings in adopting some of the changes. Nonetheless she believed that these problems could be overcome in the future:

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-the-seat" 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? It has been a weak area, but it is getting stronger.

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

I think that 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 discrepancies 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 CCC 2009-19 LTCCP report, most of the activities reported under "City Planning and Development" are project timelines. The report fails to provide a clear link between activities performed and outcomes achieved. The manager attributed part of this problem to lack of information. However, he argued also that departments such as strategic planning have difficulty defining activities, because these departments do not provide direct services to the public. Thus, there is a difficulty in providing a link between hard-to-define activities and vaguely specified community outcomes.

The nature of tasks carried out by managers affects their ability to make changes in reporting. 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 finding adds 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. For example, the public would be better served by descriptions of CCC plans in the LTCCP, rather than measures that are not outcomes.

The level of acceptance among decision-makers in the council, councillors, is also important. Using Wilson's (1989) typology, the duties of councillors are likely to be categorised under "coping." This is because councillors make decisions based on personal judgments after considering information from council managers. The councillor perceived that the council uses the 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. From a council perspective, it is quite a simple – what we are trying to do is hold the rates, that's probably the overall goal.

The councillor also commented on the practice of identifying and reporting community outcomes:

In my honest opinion, they have to be put there but people just put it there...They 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...

Consistent with the finding on coping activities, decoupling effects are also evident. While this councillor agreed that the intention of the initiative is good, he did not believe it was especially relevant.

Stage VI: Entrenchment

The LTCCP has become part of the normal operation and structure of CCC. Since its introduction, the LTCCP has been prepared three times by CCC: first, the 2004-14 draft, followed by the 2006-16 draft and report, and finally the 2009-19 draft and report. Managers consider preparation of the LTCCP to be a lengthy and complicated process. They describe the resulting workload as "immense" and "horrible". 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 of all my housing; in 2009 I do. So to plan out the next 10 years, maintenance 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.

In addition, practices that are deemed irrelevant by managers or councillors are accepted and tolerated.

The concept of a LTCCP has strong support at the CCC; it is forming part of the language of CCC. A notion of providing accountability to the public through the reporting in the LTCCP is prevalent among 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.

There is also an emphasis on linking activities performed with community outcomes, regardless of whether they can actually accomplish outcomes at this stage. Thus, the evidence substantiates the institutionalisation of the LTCCP within CCC.

5. Discussion

The CCC case shows how a change can be institutionalised in an organisation. The six stages of Greenwood *et al.*'s (2002) model help to understand how the changes initially imposed by the LGA 2002 were voluntarily accepted, extended, diffused and entrenched in the council through the efforts of a new actor (the manager of planning and performance). We obtain an understanding of how institutional pressure can affect actors differently, based on task characteristics. For some actors whose outcomes and/or outputs could not be observed easily, there was evidence of decoupling. Some outcomes are perceived to be too vague to provide a clear direction for planning purposes, and high-level outcomes are considered to be irrelevant to policy-making. If they are too specific, community outcomes could restrict the operation of the council and overemphasise particular services and discriminate in favour of particular groups.

The main thrust of LGA 2002 is to improve the accountability of local government. Using the LTCCP to increase community participation is one mechanism put to achieve that goal.

Interviewees disagreed about the efficacy of consultation. The councillor claimed there is neither time nor available resources for making substantive changes in the time interval between release of the draft plan and finalisation and ratification by council. This problem arises partly because of a structural weakness of the LTCCP. The preparation of the LTCCP is a complex process, especially for a council the size of CCC. Major changes can result in significant delay in the publication of the final report. The additional workload involved and the possibility of failing to meet the reporting deadline as required in the LGA 2002 have become deterrents to making substantial changes to the draft LTCCP.

One argument put forward by unit managers is that less flexibility in the planning and budgeting process brings about more "stability and accountability" in the council, thereby alleviating disruption to the normal operation of the council due to unexpected politically-motivated decisions. Less flexibility would also ensure that changes in political bias arising from outcomes of local council elections would not have a

significant impact on the service delivery of the council. Because the LTCCP is subject to review every three years, preliminary planning of new activities can be conducted before the review process. If something unexpected happens, there is still sufficient flexibility for the council to change the LTCCP by amending the current LTCCP and disclosing the change to the public in a transparent manner.

It is unclear whether community consultation has improved accountability. However, managers appear to have benefited from the process itself. Managers now have a more people-oriented focus. Even though some managers have faced a significant increase in workload, they still feel the benefits outweigh the costs. Despite the limitations of the community consultation process, it also has the benefit of reducing information asymmetry between councillors and managers. The opportunity to ascertain the perceptions of stakeholder groups other than management allows councillors to make better-informed decisions. This subsequently enhances the accountability of councillors.

The interviews indicate that the change process has had a stronger influence on managers than councillors. Compared to councillors, managers show more positive attitudes to changes that lead to an increase in community accountability. Similar results were obtained by Sinclair (1995) and Lonti and Gregory (2007). Managers also display a stronger desire to be more accountable to the local community. One explanation for this is that the new performance measurement systems enable managers to showcase their achievements to the community and possibly other councils. From an institutional theory perspective, the concept of public accountability is embedded deeply in the normal duties of councillors, and as such, is seen as natural and ordinary. On the other hand, managers are new to this concept; hence, they display a high level of enthusiasm towards those policies to obtain legitimacy for their operations. This is consistent with the view that, in general, managers have managerial accountability and councillors have public accountability (Guthrie and English, 1997).

The findings of this contextual account of the use of performance measures in the public sector following a move to a more outcome-based reporting system contribute to understanding of decision-making processes regarding performance measurement

systems in a changing local government environment. The CCC progressed through each stage of Greenwood et al.'s (2002) model. However, change was not institutionalised completely; there were examples of decoupling, particularly for actors unable to quantify and observe outcomes.

The efficacy of the new manager of planning and performance in implementing change, and the important role of new actors or organisational entrepreneurs in Stages III and IV of Greenwood *et al.*'s (2002) model, highlight the necessity for organisations to consider employing or empowering change agents when major change is envisaged.

This study expands our understanding of the relationships between accountability and the application of performance measurement systems in a local government setting. Future research could extend the findings from CCC with other local councils in NZ and elsewhere. Also, more than one department from each category of task (Wilson, 1989) could be studied and compared; and other stakeholders such as the CEO of the council and community board members could be included. Such extensions would provide richer contextual information and enable better understanding of relevant factors associated with policy change. This research took a cross-section of opinion, and the interviews were conducted over a relatively short period. A longer time frame for research would be beneficial and would allow triangulation of methods, thereby improving reliability and validity.

8. References

- Alford, J. and Baird, J. (1997), "Performance monitoring in the Australian public service: a government-wide analysis", *Public Money and Management*, Vol. 17 No. 2, pp. 49–58.
- Bowerman, M. (1995), "Auditing performance indicators: the role of the Audit Commission in the Citizen's Charter initiative", *Financial Accountability and Management*, Vol. 11 No. 2, pp. 173-185.
- Broadbent, J. and Guthrie, J. (2008), "Public sector to public services: 20 years of 'contextual' accounting research", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 2, pp. 129-169.

- Carlin, T. and Guthrie, J. (2001), "The new business of government budgeting: reporting non-financial performance information in Victoria", *Australian Accounting Review*, Vol. 12 No. 26, pp. 17-26.
- Child, J. (1984), *Organization: A Guide to Problems and Practice* (2nd ed.), Harper & Row, London.
- Christchurch City Council (CCC) (2008a), *Activity Management Plan* (Version 8), CCC: Christchurch.
- Christchurch City Council (2009a), *Draft Long Term Council Community Plan (LTCCP) 2009-19*, available at: <http://www.ccc.govt.nz/LTCCP/2009-19/Draft/> (accessed 14 August 2009).
- Christchurch City Council (2009b), *Long Term Council Community Plan 2009-19*, available at: <http://www.ccc.govt.nz/LTCCP/2009-19/> (accessed 14 August 2009).
- Corrigan, P. and Joyce, P. (1997), "Reconstructing public management", *International Journal of Public Sector Management*, Vol. 10 No. 6, pp. 417-432.
- Demirag, I. and Khadaroo, I. (2008), "Accountability and value for money in private finance initiative contracts", *Financial Accountability and Management*, Vol. 24 No. 4, pp. 455-478.
- DiMaggio, P. and Powell, W. (1983), "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 No. 2, pp. 147-160.
- Fisher, C. and Downes, B. (2008), "Performance measurement and metric manipulation in the public sector", *Business Ethics: A European Review*, Vol. 17 No. 3, pp. 245-258.
- Greenwood, R., Suddaby, R. and Hinings, C. R. (2002), "Theorizing change: the role of professional associations in the transformation of institutionalized fields", *The Academy of Management Journal*, Vol. 45 No. 1, pp. 58-80.
- Guthrie, J. and English, L. (1997), "Performance information and programme evaluation in the Australian public sector", *International Journal of Public Sector Management*, Vol. 10 No. 3, pp. 154-164.
- Guthrie, J., Olson, O. and Humphrey, C. (1999), "Debating developments in New Public Financial Management: the limits of global theorising and some new ways forward", *Financial Accountability and Management*, Vol. 15 No. 3&4, pp. 209-228.
- Harman, E. (1993), "The impact of public sector reforms on Australian government", in Weller, P., Forster, J. and Davis, G. (Eds.), *Reforming the Public Service: Lessons from Recent Experience*, Macmillan, Melbourne, pp. 16-36, 38-40.

- Hood, C. (1995), "The New Public Management in the 1980s: variations on a theme", *Accounting, Organizations and Society*, Vol. 20 No. 2/3, pp. 93-109.
- Humphrey, C., Miller, P. and Scapens, R. W. (1993), "Accountability and accountable management in the UK public sector", *Accounting, Auditing & Accountability Journal*, Vol. 6 No. 3, pp. 7-29.
- Jacobs, K. (1998), "Value for money auditing in NZ: competing for control in the public sector", *British Accounting Review*, Vol. 30 No. 4, pp. 343-360.
- Jacobs, K. (2000), "Evaluating accountability: finding a place for the Treaty of Waitangi in the New Zealand public sector", *Accounting, Auditing & Accountability Journal*, Vol. 13 No. 3, pp. 360-380.
- Johansson, T. and Siverbo, S. (2009), "Explaining the utilization of relative performance evaluation in local government: a multi-theoretical study using data from Sweden", *Financial Accountability & Management*, Vol. 25 No. 2, pp. 197-224.
- Johnsen, Å., Meklin, P., Oulasvirta, L. and Vakkuri, J. (2001), "Performance auditing in local government: an exploratory study of perceived efficiency of municipal value for money auditing in Finland and Norway", *European Accounting Review*, Vol. 10 No. 3, pp. 583-599.
- Kloot, L. and Martin, J. (2000), "Strategic performance management: a balanced approach to performance management issues in local government", *Management Accounting Research*, Vol. 11 No. 2, pp. 231-251.
- Liu, Y. D. (2009), "Implementing and evaluating performance measurement initiative in public leisure facilities: an action research project", *Systemic Practice and Action Research*, Vol. 22 No. 1, pp. 15-30.
- Llewellyn, S. (1998), "Boundary work: costing and caring in the social services", *Accounting, Organizations and Society*, Vol. 23 No. 1, pp. 23-47.
- Lonti, Z. and Gregory, R. (2007), "Accountability or countability? Performance measurement in the New Zealand public service, 1992-2002", *Australian Journal of Public Administration*, Vol. 66 No. 4, pp. 468-484.
- McCulloch, B. and Ball, I. (1992), "Accounting in the context of financial management reform", *Financial Accountability and Management*, Vol. 8 No. 1, pp. 7-12.
- McKinnon, J. (1988), "Reliability and validity in field research: some strategies and tactics", *Accounting, Auditing & Accountability Journal*, Vol. 1 No. 1, pp. 34-54.
- Meyer, J. W. and Rowan, B. (1977), "Institutionalized organizations: formal structure as myth and ceremony", *The American Journal of Sociology*, Vol. 83 No. 2, pp. 340-363.

- Modell, S. (2009), "Bundling management control innovations", *Accounting, Auditing & Accountability Journal*, Vol. 22 No. 1, pp. 59-90.
- Office of the Auditor-General (2008), "Auditor-General's observations on the quality of performance reporting", available at: <http://www.oag.govt.nz/2008/performance-reporting/docs/performance-reporting.pdf> (accessed 1 April 2009).
- Pallot, J. (1999), "Beyond NPM: developing strategic capacity", *Financial Accountability and Management*, Vol. 15 No. 3&4, pp. 419-426.
- Pallot, J. (2001), "Local government reform in New Zealand: options for public management as governance", paper presented at the International Public Management Conference, Salem, Oregon, available at: www.inpuma.net/research/papers/salem/pallot.doc (accessed April 1 2009).
- Pallot, J. (2003), "A wider accountability? The Audit Office and New Zealand's bureaucratic revolution", *Critical Perspectives on Accounting*, Vol. 14 No. 1-2, pp. 133-155.
- Power, M. (1997), *The Audit Society: Rituals of Verification*, Oxford University Press, Oxford.
- Sanger, M. B. (2008), "From measurement to management: breaking through the barriers to state and local performance", *Public Administration Review*, Vol. 68 No. S1, pp. 70-85.
- Sinclair, A. (1995), "The chameleon of accountability: form and discourses", *Accounting, Organizations and Society*, Vol. 20 No. 2/3, pp. 219-237.
- Umashev, C. and Willett, R. J. (2008), "Challenges to implementing strategic performance measurement systems in multi-objective organizations: the case of a large local government authority", *Abacus*, Vol. 44 No. 4, pp. 377-398.
- Van Helden, G. J. (2005), "Researching public sector transformation: the role of management accounting", *Financial Accountability & Management*, Vol. 21 No. 1, pp. 99-133.
- Verbeeten, M. (2008), "Performance management practices in public sector organisations: impact on performance", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 3, pp. 427-454.
- Wilson, J. Q. (1989), *Bureaucracy: What Government Agencies Do and Why They Do It*, Basic Books, New York.