

# Public Sector Performance Reporting: New Public Management and Contingency Theory Insights\*

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## 1. Introduction

During the 1980s and 1990s, through to the present, public sectors have been experiencing significant reform with both a rhetoric and reality focussed on change in performance reporting regimes. A growing literature has discussed these reforms around concepts of “New Public Management” (Hood, 1995) and more recently a literature has been building around “New Public Financial Management” (Guthrie et al., 1999; Olson et al., 1998). Hood’s (1995) depiction of NPM was presented as an aid to comparative research in public sector management yet it is ironic that with the exception of the landmark study by Olson, et al. (1998a), little work has been devoted to comparative studies of reforms such as performance measurement change.

Public sector performance reporting has received increasing attention as part of the recently growing analysis and commentary on public sector change. Much of this commentary has been directed towards accounting technologies as a dominant part of NPM (Lapsley, 1999; Olson et al., 1998) but little of this literature has considered comparison across countries.

Perhaps the reason why discussion of international performance reporting comparisons has been mostly limited to official type reviews (for example, World Bank, 2000; OECD, 2000) is found in the challenges of comparative public administration theory and methodology (Heady, 1996; Moon and Ingraham, 1998; Peters, 1990). Peters (1990: 21-23) describes three reasons for the inherent difficulties of comparative analysis being an absence of theoretical language, an absence of data and data analysis and a need for an understanding of the importance of context. This paper cannot overcome the first of these difficulties but it does work to present data and represent the importance of context in its presentation of comparative case studies of recent changes in Australian and Japanese public sector performance reporting and it builds on earlier work (Christensen and Yoshimi, 2001).

The case studies are drawn from governments in New South Wales (NSW; Australia) and Hokkaido (Japan). Both cases relate to the same (second) tier of government in order to avoid otherwise confounding factors. The selection of these subjects is purposeful as well as being influenced by the relative lack of comparative research involving Japan. The primary purpose is to consider contrasts where performance reporting has changed but has taken different paths. Whilst both cases show innovation, one jurisdiction (NSW) has moved more quickly than the

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other and as a result the case studies can provide contrasts and comparisons that may be useful in better understanding performance reporting changes generally.

The cases presented here are examined in a structure provided by NPM and particular interest is paid to the relationship between performance reporting change and other NPM reforms. In addition to NPM added factors are conjectured in order to suggest both possible additional explanatory factors and further research. The added factors considered here are elements of Luder's (1992, 1994) Contingency Model, the role of epistemic communities (Laughlin and Pallot, 1998) and concepts of governance (Peters and Pierre, 1998). Each of these factors aids an understanding of performance measurement beyond that which is imparted by NPM.

This paper is organized as follows. The next section discusses NPM as a framework in which to consider performance reporting. The third section presents two case studies of performance reporting drawn from the New South Wales and Hokkaido governments. Following presentation of the case studies, analysis of the commonalities and differences is provided in the fourth section and finally a discussion of the explanatory power of NPM is provided with suggestions for further research to complement understanding of accounting change in the public sector.

## **2. A THEORETICAL FRAMEWORK: NEW PUBLIC MANAGEMENT AS A RESEARCH AGENDA**

By arguing for a "new global paradigm" in public sector management, Osborne and Gaebler (1992) sowed the seeds for a growing body of literature which examined the phenomenon known as "New Public Management" (NPM). The literature on NPM is now quite wide and includes official exhortations to adopt various elements of NPM, academic considerations of the advantages and disadvantages of NPM and various texts dealing with specific elements of NPM techniques<sup>1</sup>.

Most views of NPM note that it accords significant importance to performance reporting. However, there is evidence of a "crisis of confidence with performance measurement" (Williams, 1998, p. 21) showing "considerable turmoil" in the selection of performance measures (Carlin and Guthrie, 2001, p. 24) and probable selective reporting (Walker, 2002). Clearly there is a need for further research on performance reporting at either or both a supra-organisational level (such as in this paper) and at an individual organisational level. This paper considers the impacts of public sector performance reporting as an NPM technique.

NPM proves useful as an initial theoretical framework for this cross-country examination of public sector performance reporting for two reasons. Firstly, the NPM literature provides a broad contextual base upon which performance reporting can be considered and research hypotheses identified. Secondly, NPM changes have been pervasive but have not followed a strictly consistent path across nations (Hood, 1995; Olson et al., 1998a; Rhodes, 1998) thus analysis of public sector performance reporting as an NPM technique will add to the available data related to this issue. The literature has advanced since Hood described the discussion as "close to being a data free zone" (1995, p. 98) but there is still need for additional studies in this field (Lapsley, 1999, p. 206).

Whilst NPM provides a research agenda by establishing a framework from which to consider a range of public sector management issues, it has been criticised from an analytical point of view as being too loose to be meaningful (Christensen and Laefreid, 1999; Rhodes, 1998). Such is the fate of many terms that enter popular usage ("globalization" is perhaps the most topical example) yet this is more a criticism of imprecise usage of the term. This criticism has increased the necessity for clarity of definition of NPM and also led to a need for additional terminology to assist analysis. Herein the definition of NPM that is used is provided by Hood (1995) working from two cardinal elements: the degree of distinctiveness from the private sector and the extent of rules operating to maintain buffers against political and managerial discretion. Using these two cardinal elements of public sector

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1) For a cross section of the literature on NPM or its elements see for example Financial Accountability & Management 15 (3) & (4), European Accounting Review 10 (3), Aucoin (1990), Considine and Painter (1997), Common et al. (1993), Farnham and Horton (eds.) (1996), Flynn (1990), Guthrie (ed) (1995), Halachmi and Bouckaert (eds.) (1996), Hirst and Khilnani (eds.) (1996), Hood (1995), Olson et al. (eds.) (1998a), Parker and Guthrie (1993) Public Services and Merit Protection Commission (1997), Zifcak (1997).

administration, Hood (1995, p. 96) identified seven underlying doctrines of NPM:

1. Unbundling of the public sector into corporatized units organized by product
2. More contract-based competitive provision, with internal markets and term contracts
3. Stress on private-sector styles of management practice
4. More stress on discipline and frugality in resource use
5. More emphasis on visible hands-on top management
6. Explicit formal measurable standards and measures of performance and success
7. Greater emphasis on output controls

Doctrine 6 is of central interest here but it has a strong relationship with Doctrines 2, 3, 4, and 7. For example, the use of performance measures is what makes it possible to establish and enforce contracts with specific service levels. Further, performance measurement emerging from Doctrine 6 facilitates implementation of private sector management styles of practice, increased stress on resource usage and a greater emphasis on output controls. It is difficult to envisage how Doctrines 2, 3, 4, and 7 can be more than rhetoric without the measures of performance that are core to Doctrine 6. In fact, a great deal of the controversy surrounding NPM relates to the difficulty of the explicit performance measures to adequately underpin Doctrines 2, 3, 4, and 7 thus, the counter-argument proceeds, exposing the pure rhetoric of NPM (eg. Considine, 1990, pp. 175-176; Painter, 1998; Considine and Painter, 1997; Guthrie, 1998a; Guthrie, 1998b; Guthrie and Parker, 1998; Olson et al., 1998a; Rhodes, 1998).

Within Hood's definition of NPM the primacy of accounting has received attention. Some contributions examining the rhetoric and reality of accounting in NPM have been with respect to system change (Hood, 1995), efficiency issues (Lapsley, 1999), accountability issues (Guthrie, 1998a; Pallot, 1999) and management (McSweeney, 1994). This paper considers the experiences of the NSW and Hokkaido public sectors in introducing performance measurement changes. A particular interest is to identify any relationship between changes in performance reporting and other NPM changes. In order to do this a broad view of performance measurement is taken. This has widespread support ranging from academic recommendations (Osborne et al., 1995) to official prescriptions. One such official prescription by the US General Accounting Office (GAO) provides the definition of performance measurement used in this paper. The GAO describes performance measurement as regular collection and reporting of data on: inputs (money, staff and materials), workload or activity levels, outputs or final products, outcomes of programs, and productivity (efficiency cost per unit of output or output per unit cost) (GAO, 1992, p. 2). In the next section two case studies of change in performance measurement are presented.

### 3. PERFORMANCE REPORTING CHANGES IN NSW AND HOKKAIDO

The case studies presented in this section describe changes to performance reporting regimes in two second-tier governments, NSW and Hokkaido. In the following section these changes are analysed in order to identify the commonalities and differences.

#### The NSW Case

In Australia, second-tier government is based around states and territories. Amongst the eight second-tier governments, NSW is the largest in population and wealth. Its economy is claimed to be the 14th largest in the world exceeding the combined GDPs of Hong Kong, Singapore and Ireland and approximating the size of The Netherlands (NSWG, 2000). It has the oldest European settlement in Australia and the longest established public sector. The capital of NSW, Sydney, is the hub of a relatively advanced communications and transport infrastructure. NSW accounts for one-third of Australian employees, 45% of Australia's services export income, and over 50% of the top 500 companies in Australia (NSWG, 2000).

Within this context of a relatively sound economy and a well established public sector administration it is important to note that since the 1980s there have been increasing demands for transparency by government similar to those observed in other western economies and largely focused on budgetary matters (Shand, 1998; Walker, 2001, pp. 5-6).

In terms of performance reporting, the NSW case is one of adoption of a new technology: service efforts and

accomplishments (SEA) reporting. SEA reporting has been advocated in the USA since Hatry et al. (1990) completed a research report for the GASB and subsequently a number of authorities have advanced the concept (for two sources of some commentaries see the Special Edition of *International Journal of Public Administration*, 1995; and, Halachmi and Bouckaert, eds., 1996).

SEA reports deal with accomplishments achieved (outcomes), activities undertaken (outputs or “service efforts”), resources consumed (inputs) and efficiency measures (unit costs of outputs and outcomes). In addition to numerical measures being reported, the SEA reports also provide contextual information that assists interpretation of the performance measures. For example, the 47 page SEA report on housing presents outcomes data related to quality (consumer satisfaction, complaints and appeals), appropriateness (utilization), accessibility (targeting, timeliness and level of need) and affordability (percentage of income spent on housing). In addition to these outcome measures it also presents data on outputs and inputs together with commentaries on the context of each (COCOG, 2000).

NSW embarked on SEA reporting in 1996 in a special project initiated and conducted by the Council on the Cost of Government (COCOG, 1996, pp. 34-36). In 2000 the COCOG was renamed the Council on the Cost and Quality of Government (COCQOG, 2000) whilst it retained the original charter and objectives of the COCOG. As a central agency, the COCOG was charged with “advising the Government on any changes that are necessary to ensure that the public sector provides ‘value for money’ and quality services to its customers and the community” (COCOG, 1996, p. 1). Even though NSW agencies had been improving their performance reporting (Christensen, 1999) they were not able to fully explain a 20% increase in real spending over the eight years to 1996 and so the COCOG decided to devote resources to the SEA reporting project (McDonald, 1996, p. 2). The COCOG also considered that there was merit in adapting GASB work on SEA reports to Australian conditions (Walker, 1999, p. 5) and so they were designed to address the main performance reporting deficiency: inadequacies in the “ability to report on their accomplishments, in terms of outputs and, particularly, outcomes” (COCOG, 1996, p. 34).

A starting point for the COCOG was that the NSW SEA reports would relate to government functions rather than organisational units. The move away from agency related performance measures meant that a more complete picture could be presented (COCOG, 1997c, p. 72). Thus performance indicators are “set in a broader context which defines and delimits the role of the NSW Government activities in a particular industry or sector” (McDonald, 1996, p. 3); also, data discontinuities resulting from agency changes are avoided (Walker, 1998, p. 116). However, this advantage came at the cost that agencies had difficulty to think in terms of policy areas rather than their limited activities (COCOG, 1997b, p. 44). There were resultant complex negotiations, for example “in one case 25 agencies had an interest in the development of outcome indicators for one policy area” (COCOG, 1997b, p. 43). The complexity of the SEA reports and their mismatch to the bureaucratic boundaries of NSW delayed production of SEA reports as well as causing some to be too long (Walker, 1998, p. 122) and to be based on poor data (COCOG, 1997c, p. 71). The other reasons for delay in the release of SEA reports seem to be:

- given the public release of SEA reports, agencies were very cautious thus making the Council prepare initial draft reports using publicly available information to promote action (COCOG, 1997b, p. 43; Walker, 2001, p.11); and,
- extensive and meaningful SEA contextual information meant that the performance indicators reported are more comprehensive than earlier efforts which tended to merely “decorate a budget document” (Greiner, 1996, p. 16).

In spite of difficulties in preparing SEA reports the COCOG compiled almost 4,500 SEA outcome and output indicators in the first round of reports (Walker, 2002, p. 46). This compared to 870 indicators previously published in the NSW Budget Papers (COCOG, 1997b, p. 44). A review of the first SEA reports presents evidence of their “work-in-progress” nature. Input measures account for 31% of all measures; outcome and output measures are subject to warnings of possible data problems in each report; the data is not audited and has been criticised for its inadequacies (Walker, 1998, p. 121); and, as an indication of potential for improvement, proposed future measures amount to 37% of reported measures. In December 2001 a second series of SEA data was published for 12 areas of government with comparative data over the previous five years (COCQOG, 2001). The second series of SEA data also provided 55 summary indicators and two appendices explaining the SEA methodology and treatment of

financial data.

The published SEA reports are but a small part of the achievement of the COCOG SEA project. The more important results are:

- “in several cases ..(they have).. led to a fundamental re-examination of agencies’ roles and functions” (COCOG, 1997b, p. 43) as well as understanding their roles in the whole of government delivery of service (Walker, 1998, p. 120)
- budgetary cycle use by Treasury and the NSWG of SEA indicators (COCOG, 1997b, p. 45)
- enhanced coverage of indicators; for example, in prior Budget Papers the relatively few performance indicators meant each indicator covered \$104 million in health policy area expenditure whereas the SEA indicators will represent an average of \$26 million (COCOG, 1997b)

In summary of the SEA project’s achievement: “What started out as an attempt to meaningfully report government activity to stakeholders has expanded into a program to lead substantial reform of the performance monitoring regime within agencies” (COCOG, 1997c, p. 71). The performance monitoring regime can be likened to the “balanced scorecard” view of performance reporting as advanced by Kaplan and Norton (1992). Whilst a typical SEA report does not have Kaplan and Norton’s four headings, it presents diverse information which is capable of providing insights into customer, financial and internal views of the performance being reported. The diversity of information presented is consistent with Osborne, et al., in their call for measures that reflect the complexity of the phenomenon that is being measured (Osborne et al., 1995, p. 36). Further, the diversity of information addresses the inadequate predominance of accounting information in NSWG performance reporting (Walker, 1998, p. 117 for example cites one performance document with “about 300 performance indicators” of which only 3 related to services and most of the others being accounting based).

The NSW SEA project is in its early days with “mixed success” (COCOG, 1998, p. 4; Walker, 1998, p. 122) and it is to be expected that indicators will be modified, replaced and augmented over time. The real test will be if improvements in performance reporting continue in the face of a series of dangers. There is a danger that agency managers may alter their work practices so as to artificially report improved performance as a result of the closer scrutiny achieved by SEA reporting (Halachmi, 1996, p. 79). Equally, there is the danger that the NSWG may not sanction publication of SEA reports that do not show successful performance. This was an initial reaction in the USA when eight major State and Local Government associations objected to the GASB’s SEA reporting (Halachmi, 1996, p. 90). An additional danger is that if the COCOG championing of SEA reports wanes, so too will the efforts of agencies in maintaining their SEA measures (the importance of a high level “champion” in SEA reporting is recognised by Greiner, 1996, p. 18).

Against the risks faced by SEA reporting must be placed the significantly increasing pressure for performance reporting from the community and special interest groups. Perhaps a reflection of this pressure as well as the importance of the SEA project is the high rate of usage of the reports. One measure of this is the average of 30,000 accesses per month to the COCOG SEA web site during 1999 with 80% downloading information (Walker, 2001, p. 15).

### **The Hokkaido Case**

In Japan, the second tier of government is based around prefectures. The third tier of government is based around cities, towns or villages. However, some of the largest cities usually with a population of over one million have the rights of prefectures. These governments have both an elected assembly of representatives and a structure of government agencies. Residents directly elect assembly members and the head of the government. However, most tax revenue is still collected by the central government, so the second and third tier governments have limited original tax sources. Consequently, both sets of governments receive budgetary allocations from the central government.

Japan is divided into 47 prefectures and Hokkaido is one of these prefectures. Japan consists of four main islands, of which Hokkaido island is the northernmost. Hokkaido Prefecture covers the whole island and so the

Hokkaido Government governs the largest land mass of any second tier government. Hokkaido is mostly agricultural land and as such it is a relatively poor area in Japan. Hokkaido has an extreme climate with periods of intense cold which have caused it to be the last land area to be opened in Japan. Since the Meiji era, large amounts of money have been invested in Hokkaido by the central government. However, even now, Hokkaido continues to receive more central government funds and dedicated projects such as roads, dams or other social infrastructure. In 2001, the budget of the Hokkaido Government was around 3.2 trillion yen and so was the second largest Japanese prefectural government budget after Tokyo.

Prefectural government budgets are formulated by elected assembly members and so the government has a responsibility to report its performance mainly to its assembly. However, there have been serious problems experienced in the acquitting of this responsibility. Firstly, even if it is sometimes considered that a performance report to the assembly is important, the direct reporting or disclosure of performance information to its residents is not so important. For example, there are no documents labeled "performance report" available from the Hokkaido Government. Whilst the Hokkaido Government has an "administrative information office", which discloses most published documents available for the public, free copies of these documents are limited and most documents must be photocopied at a cost to the user. Most documents are copies of the originals which were submitted to the Hokkaido Assembly and so they are not easily understood by the general public. Some books or brochures are available free of charge, but such free brochures are limited. For example, the Hokkaido Government publishes *Zaisei Jokyo (Financial Status)* semi annually (Hokkaido Government, 1998a). This publication, published each June and December, notes that its purpose is to inform residents of the current financial status of Hokkaido. However, there is curiously an expectation that citizens are not interested in detailed accounting information and so only ten copies are available in the administrative information office. As a result, most Hokkaido residents cannot get this brochure; indeed, most are not aware of its existence even though it is widely distributed within the Hokkaido public sector.

Secondly, once a project has had its budget determined, it has been very difficult to review or reconsider its effectiveness. In Hokkaido, large sums have been invested in many development projects. Some of them are obviously not effective, but there has been no system to stop or reconsider the projects.

In response to this situation, the Hokkaido Government decided to introduce "Time Assessment" from 1997. Time Assessment calls for the checking, re-evaluating and, if necessary, drastically changing measures and, based on an objective time scale (Hokkaido Government, 1998a). This assessment tries to re-consider projects that have not been in progress for a long time. In 1997, the Hokkaido Government selected 9 projects for Time Assessment. By early 1999, 8 of the 9 projects were either stopped or abandoned because of the time assessment process. As an example, the Hokkaido Government decided to stop the construction of Shihoro Heights Road in 1999 in accordance with the result of its Time Assessment. This construction project faced difficult geography and it was established that it would seriously damage the environment by running through the Taisetsu Mountain National Park. The reason for the suspension of this project was its low expected effectiveness compared with its high cost and adverse environmental impact. Effectiveness was assessed using three criteria: priority of the project, awareness of the local citizens with respect to the project and existence of alternative projects.

Time Assessment extends beyond public works projects (Hokkaido Government, 1998b) and would appear to be based on a performance measurement process, but its method is not apparent. It is carried out by a Government investigation team but its reports are delivered in a highly politicized context in which public sector reform is being called for by popular media and Time Assessment is being nominated by the government as a tool of reform. As a result it is difficult to assess conjecture that the reports are more influenced by public or mass media opinions rather than their analytical approach. Future Time Assessments are capable of significant improvement by development of a performance measurement process that provides routine and meaningful information on inputs, outputs and outcomes.

The importance of Time Assessment for the Japanese experience of performance reporting is that the government and the public have started to recognize that accountability is one of the key concepts to pursue. This has resulted from both the process and the reports of Time Assessment proving to citizens that government decisions are capable of revision. Revision of policies and/or projects may involve a loss of face for the initial

decision makers and so has retarded a sense of Japanese public sector accountability. Notwithstanding mechanisms designed to deal with citizens' complaints (Christensen, 2000) accountability has not been a common word or concept for the Japanese people (Van Wolferen, 1994). Through Time Assessment, at least the Hokkaido Government and its residents realise the importance of the concept and this can be seen as part of a broader realization (Kokubu, et al., 1998, p. 149).

The demands for a more responsive public sector have been vocalised in the main-stream media of Japan. The Mainichi Shimbun has repeated editorials demanding accountability; for example "Disclosing official documents helps to keep the bureaucracy in check and allows the people to monitor the activities of government officials." (31 May 2000) and "Up until now, bureaucrats have tended to preoccupy themselves with inputs, or the amount of expenditures required to implement a certain policy while de-emphasizing the importance of outcomes, or the benefits that accrue to the public." (4 August 2000). So too, the respected Asahi Shimbun concluded "Trust in Japanese democracy has considerably deteriorated" (25 April 2000).

Although Time Assessment has not been the cause of calls for accountability, it has had an important demonstrative effect by showing that governments can account for their decisions and that performance analysis can change those decisions. A further significant development is that the Japanese central government is paying attention to Hokkaido's trial, and is trying to introduce Time Assessment.

A recent enhancement to performance measurement techniques in Hokkaido has been the adoption of "Policy Assessment" using the experience of Time Assessment. A Policy Assessment Commission has been established under the chairmanship of Professor Jun Miyawaki with members consisting of CPAs and academics charged with checking the Policy Assessments. The Policy Assessments cover all expenditure programs of the Hokkaido Government and some 192 related organisations accepting government funds. In the first report produced by the Commission 2,816 projects were assessed and a total of 182 were nominated to either "end, pause or discontinue" whilst a further 182 projects were nominated for further review (PAC, 1999). Further, in the assessment of related organisations it was recommended that the Hokkaido Government cease funding of five organisations whilst another eight were advised to improve their operations.

The public reporting of Time Assessment and Policy Assessment results shows an effort by the Hokkaido Government to improve performance reporting as a tool to achieve efficiency and effectiveness on a project related basis as opposed to a routine accountability tool. That is, there has not been an effort to institute a comprehensive performance reporting regime but instead the two tools described here have begun a process whereby citizens can, for the first time, obtain information about the performance of their government.

#### 4. CASE STUDY COMPARISONS

The two case studies of performance reporting presented here demonstrate some interesting points of comparison in both their similarities and differences. This section describes the contrasts between the two cases but firstly it is important to acknowledge that the two reporting technologies reflect different approaches to performance reporting (this point is indeed one of the important comparisons drawn from the cases). That is, in the case of NSW the SEA technology has been used as an effort to provide comprehensive information on performance whereas in the Hokkaido case both Time Assessment and Policy Assessment are project based technologies. This contrast may reflect the rates of change as discussed later but it certainly does reflect the stronger demands for information in NSW than in Hokkaido.

The main similarities between the cases are:

- both case studies demonstrate a falling level of trust by both governments and citizens in their public administrations and the performance reporting changes have been in the context of broader changes to public administration
- in both cases performance reporting was recognised as being in need of improvement
- whilst not being a major change, the power of bureaucrats has been reduced in both countries; the reduction in Hokkaido (Moon and Ingraham, 1998, p. 88) has been less than in NSW but this has been from a more powerful

starting point

- the impact of altered performance reporting on public confidence has been relatively minor at this stage since the SEA project has only recently completed its second series of reports and the Time Assessments have been limited in their scope however both developments are maturing
- at least to date, there has not been explicit linking of the performance reporting developments in either country to the doctrines of NPM as suggested by Hood (1995). The absence of linkage might result from the work-in-progress nature of both developments but it could also mean that the rhetoric related to improvements in accounting related performance reports is not to be realised (Miller, 1996; Carlin and Guthrie, 2001).

Perhaps the differences between Japan and NSWG performance reporting are more enlightening than the similarities. The differences that can be observed are:

- the NSWG development is a systemic one whereas the Hokkaido change is project related and so may be seen to be more incremental in nature
- the NSWG change has required greater effort than in Hokkaido. Preparation of the initial SEA reports in NSW extended for 2 years directly consuming 12 person-years plus a greater, but unknown, amount of time of agency staff (Walker, 1999, p. 38) whereas the Hokkaido effort is only at an embryonic stage given the large number of projects not yet subject to Time Assessment
- in the case of the NSWG experience there has been a motivation for change from within the bureaucracy (although the COCOG's inaugural Chairman, Professor Bob Walker, was an "outsider" prior to his appointment) whereas in Japan the bureaucracy has been resistant to change and reluctantly drawn along by demands voiced in the media (for discussions on Japanese bureaucratic change see Miyoshi, 1997; Miyamoto; 1994, Hartcher, 1998; and Christensen, 2000).
- in the NSWG context there was competition between central agencies for a main role in improved performance reporting whereas in Hokkaido central agencies have not been important
- the discharge of accountability in the NSWG context is more comprehensive (although still incomplete) than in Japan where the limited number of projects reduces the scope of accountability discharge and the performance reporting mechanisms were not primarily accountability driven. Nevertheless, the publication of the reports in Hokkaido both establishes an accountability outcome and is associated with an increased expectation from citizens regarding the notion of government accountability.

The case studies present evidence for and against the views advanced earlier in this paper, that NPM-type change will have a relationship with performance reporting changes and that NPM provides an explanatory model from which to understand changes in performance reporting. The evidence supporting an NPM relationship is mostly from the NSWG case study:

- Linking future performance reporting to the budgetary cycle: NSW Treasury has used SEA data in preparation of estimates and the COCOG has commented that this will increase in the future (COCOG, 1998, pp. i-ii)
- Explicitly linking performance measures to organisational change was adopted by COCOG as a central coordinating agency policy (Pierce and Puthuchery, 1997)
- Accounting information still has the main emphasis in performance measures used (Walker, 1998, p. 117; COCOG, 1997a)
- Unbundling the public sector has been facilitated by production of performance measures that go beyond organisational unit but relate to government purpose.

Evidence against the argument that performance reporting changes act to underpin other NPM changes is from both the NSWG and Hokkaido cases:

- In NSW where accrual accounting has been introduced as predicted by the NPM model, it has not produced more useful performance measurement information (COCOG, 1996; Guthrie, 1998a); meanwhile, in Japanese prefectures, public sector accrual accounting has not been introduced extensively for management purposes



- In NSW, there has been a tendency to label information as “commercial in confidence” to withhold performance measures related to contracting out (and other information) from the public (ABC, 1998; Harris, 1998; Zifcak, 1997) instead of accountability requirements being discharged
- Also in NSW, as the public sector has been unbundled into corporatised units, performance reporting has not been standardised (or even overly useful) for these corporatised units (Guthrie and English, 1997; Walker, 2002, p. 45)
- The failure to audit performance measures in either NSW or Hokkaido does not reflect support for Hood’s sixth doctrine and there is doubt that the performance measures are indeed auditable (Walker, 1999, pp. 32-35)
- Performance measures have inconsistent uses: published measures are not the same as used in contract-based competitive provision (Harris, 1998) and different measures of the same concept are used for different audiences without justification (COCOG, 1998, p. 14)
- The underdeveloped nature of performance measures in NSW and especially Hokkaido reflect at least a retardation behind other NPM changes and thus cannot be said to be a prerequisite to those changes.

On balance the comparison of the two case studies shows that the NPM view is not capable of fully explaining the observations. It does hold some explanatory power but it needs complementing from additional views of this complex area. Three views worthy of consideration are contingency theory, governance views and the role of epistemic communities. Proof of the validity of these views is beyond the scope of this paper but some conjecture is posed here to encourage further research.

The Contingency Model of Accounting Innovation posits that the interactions between four modules explain change: stimuli, structural variables of information users, structural variables of information producers, and implementation barriers (Luder, 1992). On the face of both the NSWG and Hokkaido cases there is support for the Contingency Model in that the differences can be attributed to more favourable conditions in NSW for both structural variables of information producers, and lower implementation barriers. However, the degree of interaction between these modules is uncertain and their relative strength is unknown.

Detailed application of the Contingency Model to NSW and Hokkaido is beyond the limits of this paper but consideration of one element is possible: the role of professional bodies as a stimulus for change. The Contingency Model specifically incorporates the role of professional bodies in its stimuli and in its structural variables. A refinement of this factor has recently been posited by Laughlin and Pallot (1998) in their argument that epistemic communities can be an important part of a “middle range” theory to explain public sector accounting change. The concept of an epistemic community can be extended from Haas’ more limited view (1992, p. 3) to include structures such as the large management consulting firms. These firms have been active in advising governments in the adoption of NPM changes and as such are contemplated as being an important explanatory factor. For example, Saint-Martin’s (1998) three-country study explains variety in NPM changes as a result of differing influences exerted by management consultants. Although the role of consultancies in NSW and Hokkaido is virtually unresearched, there is evidence in NSW of significant growth of consultancy expenditure (Howard, 1993) and importance (Scullion, 1991). In contrast, there is little evidence of active use of consultancies in Hokkaido. Whilst this contrast with NSW could be partly explained by the English language bias of these firms (Hood, 1996; Laughlin and Pallot, 1998) it points to a need for research of the influence of management consulting firms as an explanatory factor in an understanding of changed performance reporting.

A third complementary view to be added to NPM is that of governance. Within the alternative frameworks for considering governance (Pierre and Peters, 2000) is the view that networks now control public policy partly because of the crisis ridden discredited role of the State (Peters and Pierre, 1998). Such a model has similarities and differences to the NPM model and it can be found to be consistent with selected parts of both the Contingency Model and a view on the role of epistemic communities. Indeed, the NSW and Hokkaido cases support the governance view as an explanation of both change and stability. In the NSW case, the power of networks extending beyond the State (and including epistemic communities such as international management consulting firms) has been strong. In contrast, networks between the bureaucracy and business in Japan have been stronger than other networks and so their inclination to resist change has proven to be a change barrier (for further discussion on

these networks, refer Jun and Muto, 1995; George, 1982; Horne, 1984; Elliot, 1996). However, as shown by the Hokkaido case, such resistance is limited and is becoming less important as accountability expectations rise.

In the light of the case studies, the three explanatory views added to NPM are seen to be plausible and certainly deserving of further research effort.

## 5. CONCLUSION

Performance reporting has changed in both NSW and Hokkaido at the same time that other NPM changes have been observed. However, there are sufficient differences in the observations to conclude that NPM alone cannot fully explain the path taken in the performance reporting developments. There is apparent worth in adding contingency theory, the role of epistemic communities and governance to our toolbox but additional work is required before we can be confident of the strength of these tools in explaining complex matters such as the role of performance reporting in public sector accounting change. In applying additional explanatory factors it is important to recognise that NPM paths are varied across the many countries experiencing change in their public sector accounting. The variety of paths can be as wide as presented in the tortoise and hare depiction of Hokkaido and NSW and so it is best understood by considering the context of the governmental traditions of each relevant public sector.

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