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# Critical Perspectives on Accounting

journal homepage: [www.elsevier.com/locate/cpa](http://www.elsevier.com/locate/cpa)

## Performance information use by politicians and public managers for internal control and external accountability purposes



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### ARTICLE INFO

#### Article history:

Received 9 January 2012  
 Received in revised form 1 June 2012  
 Accepted 20 August 2012  
 Available online 21 August 2013

#### Mots clés:

Gestion des performances  
 Responsabilité  
 Nouvelle gestion publique  
 Gouvernance

#### Palabras clave:

Gestión del rendimiento  
 Responsabilidad  
 Nueva gestión pública  
 Gobernanza

#### Keywords:

Performance management  
 Accountability  
 New Public Management  
 Governance

### ABSTRACT

Governance structures have changed fundamentally since the beginning of New Public Management inspired reforms. Particularly local public service delivery nowadays can be characterized as diversified and fragmented, leading to internal management and external accountability challenges for politicians as well as public managers. In this context the use of performance information is seen as a crucial element for effectively dealing with both issues. Nevertheless, empirical research considering different actors and contexts within one study is rare. The present paper fills this gap by applying a multi-theoretical perspective and testing hypotheses on the antecedents of performance information use by politicians and public managers for internal management as well as external accountability purposes in small- and medium sized local governments in Austria. The study results show that both groups use performance information to a greater extent within external accountability relationships than for internal management purposes. Results further illustrate that driving factors show similarities for both groups with reference to the latter mentioned purpose, while a more diverse picture is shown regarding factors impacting their use behavior toward citizens and supervisory authorities.

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## 1. Introduction

Under the umbrella of the global NPM movement, governance structures, patterns of responsibility, and modes of control have changed fundamentally as governments externalize or contract out services, sell agencies to the private sector, create quasi-markets and decentralize functions to local authorities, often leading to fragmented public service delivery systems (Hood, 1995; Rhodes et al., 1997). Moreover, boundaries between public, private, and third sector organizations have become blurred as the delivery of public services is increasingly characterized by hybrid forms of organization, variously described as partnerships, collaborations, networks, alliances and, most prominently, as public-private partnerships (Agranoff and McGuire, 2003; Kooiman, 2003; Salamon and Elliott, 2002). These changes in governance structures challenge

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traditional accountability meanings, mechanisms, and relationships (Pina, 2007), and furthermore foster the shift towards accountability based on performance (Heinrich, 2002; Behn, 2003). The re-design of the traditionally cash based budgeting and accounting systems and the introduction of managerial accounting and performance indicators are therefore seen as essential elements in dealing with these accountability challenges and in enhancing the efficiency and effectiveness of public organizations (e.g. also De Lancer, 2006; Guthrie et al., 2005; Hood, 1991, 1995; Pollitt, 2006b). In particular, performance orientation has reached new prominence within NPM-oriented reform processes (Van Dooren, 2008) and still ranks high on the reform agenda of various countries and in public management research. In recent years, we have observed a shift of focus to the question of whether, and how, 'newly' available accounting and performance information is being used by different stakeholder groups inside and outside public sector organizations (Arnaboldi and Azzone, 2010; Askim, 2007; Ho, 2005; Liguori et al., 2012; Melkers et al., 2000; Van Dooren et al., 2008). Nevertheless there is still a lack of quantitative empirical evidence, addressing factors driving performance information use (PIU) by local government actors for internal management and external accountability purposes. In order to enhance research from that point of view, the aim of this paper is to empirically test the impact of different factors on PIU for different purposes in a fragmented local service delivery context, by considering two actor groups – politicians with executive power (mayors) and public managers (chief officials). Therefore, it provides the opportunity to analyze potentially existing trade-offs regarding the universal adoption of performance measurement for different purposes, internal performance improvement and external accountability, (Ammons and Rivenbark, 2008), as well as for different actor groups. Both issues have mainly been treated separately to date in the area of quantitative research (Liguori et al., 2012).

The remainder of the article is structured as follows. First, an introduction on the use of performance information, an analysis of the existing literature, and a critical review of empirical studies dealing with PIU is outlined. In a next step different theoretical perspectives dealing with the antecedents of PIU are discussed, before hypotheses regarding the impact of different factors on PIU are developed within the third section. A view on the background of Austrian local governments is provided where it can contribute to the understanding of hypotheses development and context specialities. In the following section, the nationwide e-mail triggered survey as well as the operationalization of the variables is illustrated, and the descriptive figures are presented. Subsequently, findings of the empirical analysis are described and discussed, and in a last step conclusions are synthesized, and finally, possible implications and limitations of the study are depicted.

## 2. Literature review, theoretical perspectives

### 2.1. PIU – what, who and what for?

Based on definitions proposed by other researchers in this field, performance information in this paper context is characterized as data and evidence that is produced, collected, and used to judge the performance of an organization (e.g. Guthrie and English, 1997; Pollitt, 2006b; Thiel and Leeuw, 2002). In the public sector, performance is regarded as a multidimensional concept ranging from concerns about increases in efficiency, effectiveness, output quantity and quality, productivity, equity, fairness, responsiveness to service needs, trust, citizen and consumer satisfaction (Lee, 2008; Walker et al., 2010).

Different authors have recognized 'implementation in the sense of use' of performance information as the most difficult – but crucial – aspect of reforms, as individuals are required to undergo behavioral changes and widen as well as deepen the scope of information to be taken into account (De Lancer and Holzer, 2001; Hatry, 2002; OECD, 2005; Torres et al., 2011; Van Dooren, 2008). In their enduringly influential work on the utilization of performance management in public organizations, De Lancer and Holzer (2001) differentiate between the stages of adoption and implementation. Within the adoption stage, the focus lies on building the capacity to act, meaning the development of accurate performance measures, which leads to different levels of performance information availability. Actual PIU levels for different purposes, however, represent the implementation stage of utilization. Many research scholars working in this stream point at the gap between the production and the use of performance information (e.g. Pollitt, 2006b; Ter Bogt, 2004). De Lancer and Holzer (2001) were at the forefront of authors pointing to the importance of considering and distinguishing between both sides of the coin, the supply side and demand side of performance management (Askim, 2007, 2009; Ter Bogt, 2003). Hatry (2006) differentiates between performance measurement and performance management, which also seems to reflect the above mentioned two aspects of utilization, where the latter is concerned with using performance information effectively for a variety of purposes (Moynihan, 2008). According to this, the present study treats PIU as the expression of whether performance management is worth the effort, since the introduction of 'full blown performance management systems' is based on the assumption that individuals can use the information to make better decisions (Cavalluzzo and Ittner, 2004; Taylor, 2009). As a consequence, this will lead to enhanced performance and a better compliance with external accountability requirements and ultimately to improved outcomes for society (Torres et al., 2011). This assumption also covers two critical aspects in empirically oriented performance management research: (1) PIU for better managerial decision-making to enhance performance, and (2) PIU for demonstrating and/or improving external accountability. Most studies in this field are more or less explicitly founded on a decision-based framework, in which the objective of management control systems is to provide information that is useful for economic decisions (Ijiri, 1983). The main focus of these studies therefore lies on exploring the internal use of performance information for budget formulation and resource allocation, employee steering and motivation, setting goals and objectives, evaluation and control, strategic planning, establishing contracts, and for decisions in general (Askim, 2007; Melkers and

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