

Management Reform in Flemish Public Centres for Social Welfare: Examining Organisational Change

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ABSTRACT This research empirically examines the establishment of organisational change through management reform by studying the level of compliance with the reformed management legislation. A management index is constructed and applied on a sample of 100 Public Centres for Social Welfare in Flanders using a questionnaire, their annual accounts and interviews. The institutional framework proves to be a useful base for considering the level of adoption and testing cross-sectional differences on a number of explanatory factors. This study reveals that in practice the level of adoption of the governmental reform is restricted and mediated by both local organisational aspects and widerinstitutional influences.

Introduction

During recent decades the public sectors of many countries have been flooded with a radical wave of financial, organisational and managerial reform initiatives (see e.g. Pollitt & Bouckaert, 2000). In Flanders, the first public sector reforms made their entrance in the 1990s in local government. Preceded by the accounting reform in the municipalities, the most far-reaching programme of reforms was enacted in relation to the Public Centres for Social Welfare (OCMWs¹), which represent governmental entities connected to the municipalities. These organisations are parallel structures at the local level aimed at providing diverse social services mostly for relatively deprived societal groups. Being subject to a specific legislative framework, important from a service provision dimension, Public Centres for Social Welfare are generally considered politically less divided. However, the municipal impact on these entities, mostly informal and largely mediated through finance, should not be underestimated.

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The new Decree on local government reform, issued in 1997, required all Public Centres for Social Welfare to change their accounting and control system through the introduction of a wide range of new management instruments. This initiative has become known as NOB (in Dutch: 'Nieuwe OCMW Beleids – en beheersinstrumenten'), which may be translated as New Policy and Management Instruments for the Public Centres for Social Welfare. Generally, references are made to the New Public Management (NPM). NPM is used as a convenient shorthand to indicate the lessening differences between the public and the private sector and the shift in emphasis from process accountability towards a result-oriented accountability (Hood, 1995: 94). In Table 1 the main components of the management reform, as set out in the legislation, are discussed. As shown in Table 1, the shift to the so-called 'new managerialism' (Pollitt, 1986; Painter, 1998) has given rise to nine elements: accrual accounting, administrative manual, long-range planning, budgeting, budget controllership, activity centres, cost accounting, management reporting and auditing (internal and external).

Table 1. Main elements of the Flemish management reform (NOB legislation)

Governmental reform elements	
Accrual accounting:	a move away from cash-based accounting to 'business-like' accrual accounting
Administrative manual:	mapping the administrative organisation (departments, functions, guidelines and procedures) in order to increase efficiency and optimise the administrative organisation
Long-range planning:	consists of a strategic and financial note over a time span of minimum 3 to maximum 6 years; once approved by the municipality the long-range plan can be considered as a contract between the local authority and corresponding municipality
Budgeting:	a shift from incremental budgeting to zero-based budgeting; consists of a budget for exploitation, investments and planned cash flows, the anticipated municipal contributions and a policy document
Budget controllership:	the possibility to delegate the authority to civil servants to manage pre-determined tasks related to an output-oriented budget
Activity centres:	divisionalisation in business units or economic entities responsible for internal services; each activity centre has to produce a separate balance sheet and P/L account
Cost accounting:	an increased stress on identifying costs and understanding cost structures of activity centres or departments
Management reporting:	the financial position, evolution of budgets, liquidity prognosis and delegation of authority are monitored by means of a quarterly financial report to the council
Internal and external audit:	internal audit consists of legality and value-for-money audit, respectively executed by the treasurer and the internal audit commission; external audit is limited to financial audit

This article particularly focuses on the prescribed set of businesslike management instruments which these public service organisations had to adopt, apart from the accrual accounting system. This set of organisational structures, styles and practices, largely characterised by an intensified focus on accountability and control, is mainly called in to render public service organisations more effective and efficient. As such, one could say that in many respects the reform agenda is consistent with principles of New Public Management (see e.g. Hood, 1995). Starting from the legislation, this article will examine organisational change from an empirical point of view. What has happened since the implementation of the 1997 Decree? To which extent has the implementation of the new techniques taken place in practice? Are there any differences between the public service organisations and if so, what are the factors that account for this local variation? These questions broadly outline the interests of the research presented here.

First and foremost, this study attempts to offer an acceptable solution to the ongoing demands for conducting reform evaluations and their various conceptual problems. By taking the level of compliance with the regulative requirements as a point of departure, the study seeks to present a useful method to examine reform adoption. Secondly, the study aims to contribute to the understanding of organisational change by determining important explanatory factors for the level of adoption. To construct a research framework that underpins the different hypotheses, the study draws largely on the insights of the institutional theory and related studies. On the one hand, the study assumes that reform adoption flows from individuals' rational choice to deliberately take purposive actions. On the other hand, the contextualist point of view is embraced assuming that both local institutional dynamics as well as more complex inter-organisational relationships have a role to play in management reform of local governmental entities. In short, the purpose of this article is not to investigate thoroughly reform implementation in particular organisations looking at specific processes, but to obtain a total idea of the reform adoption in public service organisations and to map possible factors of influence.

This paper unfolds along the following lines. First, the notion of compliance and some assumptions and perspectives on change are considered within the context of regulatory reform. An institutionalist framework is presented and its relevance to the research interests is explained in more detail. Next, the research design is formulated including the research hypotheses and the setting up of a management index, which is used for the examination. After presentation of the method and the results from the data analysis, the remainder of the article is devoted to discussion and the conclusions resulting from this project.

Assessing Management Reform

Notion of Compliance

It is a commonplace of the NPM literature that reform evaluation may have a variety of purposes and may be conducted across a wide range of levels using different research techniques (see e.g. Pollitt, 2002). Arguing that substantial attention has already been devoted to the ideological and instrumental aspects of reform adoption, nowadays many researchers are shifting their focus to the actual practices, impacts and outcomes of the implemented programmes (see e.g. van Helden & Jansen, 2003). Yet inspection of the key literature in a number of countries seems to show that, even after more than two decades of NPM-style change, little attention has been paid to the construction of a sound instrument for conducting a broad-scope evaluation. As Pollitt (1995) argues, it seems that in general researchers are very concerned with the conclusions of their assessments, interesting though they are, but not so much with the strength of their foundations. In particular, Pollitt (1995: 139) identifies a set of difficulties to be overcome when conducting a large-scale evaluation. Some of these are, for example, the criteria to be used for evaluation, the baseline for comparison and the multifaceted nature of a reform. To overcome these problems the current study draws on the level of regulatory compliance and constructs a 'management index' to conduct a large cross-sectional assessment.

The concept 'compliance' mainly relates to explicit requirements as prescribed by the legislation but also includes some implicit recommendations as put forward in related studies. With this last notion the study seeks to verify if changes actually take root in the management and the practices of the organisation. By taking the notion of compliance as a baseline the study aims to make a formal comparison of the adopted ideas and instruments in Flemish public service organisations with the reform requirements as prescribed by legislation. As local authorities are obliged and accustomed to conform to all sorts of regulations, regulatory compliance seems an obvious starting point for examination. Especially in a governmental context, compliance with the regulations can be seen as a sort of *conditio sine qua non* for further successful implementation. The index methodology has proven to be a useful method for this as it permits general research into a plethora of reform aspects (see e.g. Christiaens, 1999). As well as legislative aspects, additional examples and probing questions can be used to deepen insights into promising areas. By quantifying the extent of reform adoption the study does not intend to make a formal evaluation of the individual organisations, but rather aims at a more neutral 'examination' of the imposed instruments at a certain point in time. In addition, the assumed variation in implementation is considered to be relevant. Therefore, it will be made possible to capture this variation and investigate the relationship between the level of adoption and important characteristics in a systematic way.

Accounting for Change

As this research attempts to investigate to what extent local structures innovate and which aspects have to be considered when implementing a reform, another threshold to cross is the concept of change. Why do organisations introduce changes and what is change *tout court*? When reviewing literature on the concept of change and innovation one can find ample examples of theories and 'extensions of' theories dealing with the nature, the reasons and the management of this object of research (e.g. Burns & Scapens, 2000; Quattrone & Hopper, 2001; Painter *et al.*, 2003). Often a distinction is made between formal organisational change, delineating the establishment of new organisational instruments, and institutional change, pointing at the processes through which new instruments and practices become embedded and function as new institutions within the social structure. Clearly, the current research concentrates on the more formal dimensions of organisational change. This is not to say that all formally stated change corresponds with actual change in practice. Sometimes, organisational change can be purely symbolic, i.e. innovative action appears to be more a matter of rhetoric, rather than an objective feature of change. When examining change through regulatory compliance, prudence calls for the presentation of 'a positive gloss'.

With respect to the reasons and the dynamics of change this study takes an integrative approach, in which functional demands, personal interests and institutional factors are taken into account and are interrelated. The view is supported that at the local level regularised organisational behaviour can be partly related to economic decisions, but is also shaped by institutional factors, i.e. norms, values and taken-for-granted assumptions that are rooted in the institutional context (Meyer & Rowan, 1977: 356–357; DiMaggio & Powell, 1991: 27; Greenwood & Hinings, 1996: 1025). As such, considerations of economic efficiency and effectiveness are assumed important to explain reform implementation, still leaving room for proactive changes following interaction between context and action (Burns & Scapens, 2000, Pollitt, 2002). Moreover, the individual motives of the executives responsible for developing and implementing the management instruments do not have to be irrelevant in the interpretation of the organisational change process. The reform literature has indicated that changes sometimes are motivated by a personal striving of the executives for more 'sufficient' economic results (see e.g. Vaivio, 1999; ter Bogt, 2005) or by a wish to express its competence to the local council (see e.g. Giroux & McLelland, 2003). In short, governmental organisations may have different kinds of reasons to engage and converge in an imposed reform programme. In the assumption that these drivers of change are not mutually exclusive, this article draws on a broad institutional model to integrate them when examining reform adoption.

A New Institutional Framework

When scrutinising the sufficiency of institutional rules for organisational change as well as the extent of their impact, the new institutional theory seems particularly useful for understanding both individual and organisational action (Dacin *et al.*, 2002). Moreover, the ways in which Public Centres for Social Welfare are immersed in their environments can offer important explanations of the 'past pathways of change and current trajectories of organisational development' (Newman *et al.*, 2001). DiMaggio & Powell's model of isomorphism (1991) delivers interesting avenues for explaining compliance and gaining legitimacy as a function of coercive, mimetic and normative pressures in the external environment. From this perspective reform adoption can be considered merely as a symbolic response to the change in the environmental expectations or the formal rules. One can assume that organisations try to become isomorphic following the institutionalised rules in order to obtain legitimacy and secure their survival (Lowndes, 1996) or to appear modern (Premfors, 1998; Pollitt, 2002). Lowndes (1996: 185) further states that public service organisations are particularly susceptible to such a 'contagion of legitimacy' (Zucker, 1991: 105) because they lack private sector-style 'bottom lines' on which to judge performance. Accordingly, formal compliance can be seen as a necessary but certainly not sufficient criterion for actual reform adoption.

While new institutionalism is usually regarded as an explanation of the striking similarity and stability of organisational forms and practices within a functional organisational field (Scott, 1987; DiMaggio & Powell, 1991), the over-emphasis on organisational passivity and conformity has been criticised (see e.g. Powell, 1991; Greenwood & Hinings, 1996). According to Clegg (1990: 174), cross-sectional differences 'result from the interplay of local culture and context specificities with the process of institutional framing and regulation which derive from the state and other agencies of rationalization'. Recent conceptual papers (see, e.g. Burns & Vaivio, 2001; Dacin *et al.*, 2002) and various in-depth studies (see, e.g. Kostova & Roth, 2002; Lowndes & Leach, 2004) endorse the importance of different contextual levels in constituting change. Therefore, this article constructs a broad institutional model that focuses on both wider contextual influences and micro-level action by bringing technical, financial and other contextual aspects such as rules, habits, values, power structures and negotiations into play (Hirsch & Lounsbury, 1997).

From an institutionalist point of view rather divergent adoption patterns instead of overall compliance can be expected with regard to the outcomes of the reform process. Such a patterning of change is possible when heterogeneous institutional elements, inconsistent with the dominant model, have risen to prominence (see also Oliver, 1991, 1992). Looking at the legislative documents it appears that the newly imposed institutions are quite numerous and rather distinct from traditional organisational practice.

In addition, Hinings *et al.* (2003) argue that organisational change can follow divergent paths, because of the impact of institutional uncertainty that organisations face. They point at the uncertainty in working out responses to cognitive, normative and regulative constraints and opportunities. Furthermore, they claim that politics takes a central role in producing continuing uncertainty in the change process. Because a major restructuring of public service organisations takes several years, the political timelines for demonstrating change and the shorter-term nature of governmental decision-making may result in a changing attitude towards the problems and issues surrounding implementation (Hinings *et al.*, 2003). Hence, one could expect that it will take time, even years, to implement and adjust to each of these changes (ter Bogt, 2005).

In institutional terms, understanding change and responses to a regulatory reform is about understanding variations in response to the same coercive pressure. This can only be done by analysing features of organisations that succeed in complying with the spectrum of reform measures (Greenwood & Hinings, 1996). Governmental change can be seen as a formal organisational restructuring, but in reality change evolves through a complex interaction of formal and informal dimensions (Lowndes & Leach, 2004). In the following section, the research framework adopted for the examination of the instrumental reform is unfolded.

Research Design

Constructs and Hypotheses

As argued before, this study postulates that reform adoption occurs due to the multiple interlacements between local organisational aspects and the wider social and institutional forces that surround it. The assumption is made that both local technical and financial aspects as well as wider environmental influences might feasibly be associated with alternative implementation scenarios adopted by different public entities. Based on previous and current research, a number of related hypotheses are formulated and grouped into one of the following categories: technical aspects, financial aspects and inter-organisational influences. Figure 1 shows the research framework drawn for the study, representing the hypotheses and the variables used for analysis, with expected signs for the univariate testing.

A first set of propositions relates to a cluster of technical aspects assumed necessary for putting in place the change programme at the local organisational level. These aspects relate to the practical implementation of a new institutional design and should account for local variability. In particular, this study focuses on the capacity for action, i.e. the ability to manage the process from one template to another and considers this as an important enabling dynamic for realising radical change (Lapsley & Pettigrew, 1994; Greenwood & Hinings, 1996; Hepworth, 2003). According to Greenwood and Hinings

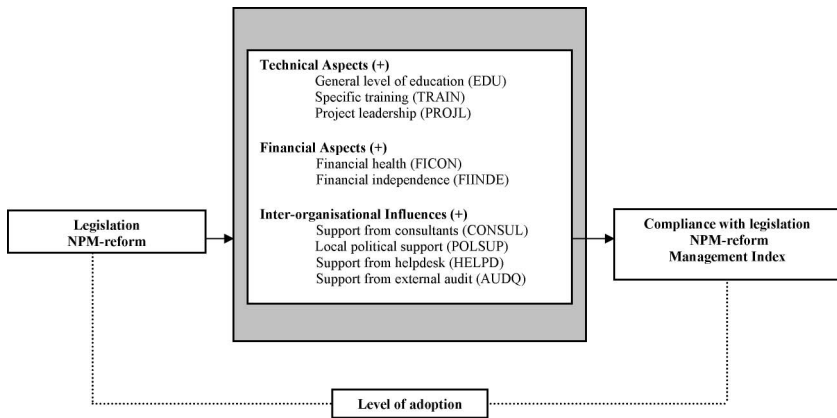


Figure 1. Research framework

(1996) this comprises a sufficient understanding of the new conceptual designation, the skills and the competencies required to function in that new designation and the ability to achieve them. Stated differently, capacity to change requires sufficient skills and competence within the organisation and their mobilisation through the act of project leadership (Greenwood & Hinings, 1996; see also Housden, 2000; Newman *et al.*, 2001). As such, this study hypothesises that the general level of education of the executives and their staff, the amount of specific training and the provision of project leadership will positively affect the level of reform adoption, as these aspects imply greater involvement and willingness to implement the reform.

The general level of education is split up and surrogated by the compound average of finished studies and the average level of advanced studies in public administration. Specific training is measured by taking the compound average of training received in accounting, management and information technology related to the reform. With respect to project leadership, as Hartley and Allison (2000) suggest, a distinction is made between the person (personal characteristics of a leader), the position (formal position in an organisation) and the processes (dynamic processes occurring among and between individuals, groups and organisations). In this paper good project leadership is seen as a combination of the assignment of a project leader in the executive position (secretary or treasurer), which provides communicative leadership.

- $H_{1(a)}$ *The general level of education of the executive and their staff positively affects the level of reform adoption.*
- $H_{1(b)}$ *The level of reform related training of the executive and their staff positively affects the level of reform adoption.*
- $H_{1(c)}$ *Good project leadership positively affects the level of reform adoption.*

A second set of propositions relates to financial aspects of Public Centres for Social Welfare. Several studies show that 'financial stress' factors, i.e. a worsening of the financial position of a governmental organisation, foster the implementation of new management techniques (see e.g. van Helden, 2000). However, the Flemish reform initiative is not introduced with budgetary cutbacks or explicit financial restrictions. Actually, there were no financial incentives at all for the local authorities to improve or to change their (financial) management style. So if a local entity displays sound financial management it could be more an indicator for the professional practice of the executives. In this way, the executives of local authorities can be viewed as professional administrators hired by and serving at the pleasure of the council, and seeking to signal competence to the council or to regional and national peers (Giroux & McLelland, 2003). Based on signalling theory and related studies (see e.g. Evans & Patton, 1983; Ingram, 1984) it is hypothesised that public service organisations with sound financial management will have a greater tendency to change management style by adopting the reform. As the local entities under study are strongly dependent on politically driven financial support coming from other governments (i.e. municipalities), financial independence could be regarded as another important explanatory factor for the way the executives behave. Not only can financial independence be associated with management competence, it may also point to a situation in which the executive could experience fewer constraints and exercise more discretionary power in their actions. As a result, one can assume that a more strategic approach in the management of reform implementation will evolve. Over time, these new reform techniques could function as a new institution that more independent organisations are willing to embrace in their striving for legitimacy.

As an indicator of the financial condition, this study takes the financial viability of the public service organisations into account (see also Giroux & McLelland, 2003), here measured by the ratio of earnings before interest (and taxes) divided by financial costs (Ooghe & Van Wymeersch, 1999). The ratio of the municipal contributions divided by the general fund revenues is taken as a surrogate for financial independence.

H_{2(a)} Financial viability is positively associated with the level of reform adoption.

H_{2(b)} Financial independence is positively associated with the level of reform adoption.

A third set of hypotheses attempts to shed some light on inter-organisational influences that might affect the responsiveness of local organisations to the reform. A previous study (Christiaens, 1999) investigating accounting reforms in municipalities revealed that the professional support of consultants is a positive factor in explaining the level of adoption. This study aims to test the influence of professional

support from consultants. Various studies (see e.g. Newman *et al.*, 2001; Painter *et al.*, 2003) stress the importance of local political backing as one of the major conditions of local change. As local councils are first and foremost political bodies, their support is assumed to be incontrovertible as the councillors will have to accept the need and benefits of the reform and support its implementation. Hepworth (2003: 40–41) states that apart from the local council the responsible higher authorities and the external audit will each need to have the technical ability, but also the operational capacity to introduce and support the changes. To this end the Flemish government has established a special helpdesk (Nieuw Gemeente-en OCMW-beleid). The external audit is also expected to support the practical implementation of the reform.

The level of support from consultants is measured by a compound average delineating the extent and frequency of support with regard to the development of the administrative manual and internal audit activity and the preparation of the annual reports. The level of support from the helpdesk is assessed by the average number of different services consulted. Support from the local council and the external audit is measured with ten statements about actions, attitudes and interests that capture the extent of support and involvement. In Table 2, the independent variables used for analysis are briefly summarised.

- H_{3(a)}* Professional support from consultants positively affects the level of reform adoption.
- H_{3(b)}* Local political support positively affects the level of reform adoption.
- H_{3(c)}* Support from the special helpdesk positively affects the level of reform adoption.
- H_{3(d)}* Support from the external audit positively affects the level of reform adoption.

Management Index

In institutional literature the response of organisations to change has been investigated and operationalised in different ways. Usually case studies (see e.g. Newman *et al.*, 2001; Townley, 2002) and/or different response categories are constructed (see e.g. Bigelow & Stone, 1995; Casile & Davis-Blake, 2002). In this study the level of adoption will be measured by the construction of a 'management index'. For this purpose the study draws on the earlier concept of the compliance index (Christiaens, 1999), which was originally based on Ingram's (1984) disclosure index applied in the disclosure of accounting practices of US state governments. This approach broke new ground in governmental accounting research and has been used directly or in a modified way in a number of similar accounting studies (see e.g. Coy & Dixon, 2004). Coy *et al.* (1993: 122) define the approach as

Table 2. Variables used for analysis

Variables		Definition	Prediction
<i>Panel A: dummy variables</i>			
Project leadership	(PROJL)	Dummy variable, where 1 = an appointed project leader and the provision of clear communication about the reform	(+)
Support from consultants	(CONSUL)	Dummy variable, where 1 = the use of a consultant for the administrative manual, internal audit or annual reporting	(+)
<i>Panel B: continuous variables</i>			
General level of education (staff; executives)	(EDU)	Compound average of the level of finished (master, bachelor and secondary level) and specialised studies (in public administration)	(+)
Specific training	(TRAIN)	Compound average of received management, accounting and IT training	(+)
Support from the special helpdesk	(HELPD)	Average number of consulted services from the helpdesk	(+)
Support from the external audit	(AUDQ)	Average level of perceived support from the external audit (10 Likert items)	(+)
Local political support	(POLSUP)	Average level of perceived political support (10 Likert items)	(+)
Financial viability	(FICON)	Earnings before interests (and taxes) divided by financial costs, FYE 2001	(+)
Financial independence	(FIINDE)	Municipal contributions divided by general fund revenues, FYE 2001	(+)

Note: FYE = fiscal year ended.

the Index Construction Methodology, a term used to bring together ‘instruments designed to measure a series of items which, when aggregated, gives a surrogate score indicative of the level of compliance, disclosure, accountability, etc...in the specific context for which the index was devised’. Here, the management index is constructed to measure the level of compliance with the requirements as stipulated in the management legislation of the Public Centres for Social Welfare and considers this to be a proxy for the extent of implementation of the reform. In total the index consists of eight main categories and 97 elements constituting 23 organisational practices. These elements are set up to deliver a representative picture of the different facets and prescriptions of the reform as retrieved in the legislative documents. Stipulations concerning the external audit are not included in the index. The reason for this is that the external

audit is organised by supervising bodies (i.e. the provinces) and as such the (non-)compliance with external audit cannot be attributed to the local entities themselves. For a limited number of items the information could be directly obtained from the annual accounts for 2001. Most elements are measured qualitatively and dichotomously. Some of the elements are measured quantitatively. Appendix 1 gives a detailed overview of the elements of the management index and their method of measurement.

Determination of the relevant categories and items of the index has taken place in three steps. The first step was a thorough examination of the relevant legislation and related reports and studies. Based on this, a first draft list of possible categories and items was set up. In the second step, with due care a questionnaire was compiled from the draft list and submitted to practitioners by way of an in-depth interview. In the third step, the questionnaire was further adjusted and fine-tuned as it had to serve as the main source to collect the necessary data for the management index. The selected respondents were officials in charge of the financial and general management of the local entities (i.e. the secretary and treasurer). The purpose of the interviews was twofold. Firstly, they were meant to extract additional ideas, determine the relevancy of the items and to detect additional items. Secondly, the questionnaire itself was tested for comprehensibility and accuracy.

One should be cautious regarding unintended misinterpretations when observing the results of the management index. Firstly, the index only gives a surrogate score indicating the level of compliance and as such does not represent an opinion statement in terms of success. Secondly, legal and instrumental compliance mainly show the extent of formal organisational change. Despite the extension of the compliance concept, the index scores only give a restricted picture of the actual practices in the organisations. However, being in compliance with reformed management regulations could be seen as a necessary condition for obtaining a successful implementation. Thirdly, the index and its components are based on a limited set of items as retrieved in the legislation and regulations. These categories give no indications of the relative importance of the different reform aspects in practice. Lastly, the usefulness of a total index score can be questioned. Not only does the literature on change processes suggest a considerable time span to implement a major set of changes, governments often implement different technical aspects in sequential 'shifts' (ter Bogt, 2005).

Methodology

The research project uses three major types of data. Firstly, a questionnaire survey is issued to the treasurers of the Public Centres for Social Welfare. Essentially, the survey represents the operationalisation of the management index described earlier. Secondly, *archival data* are gathered for some specific items. A copy of the annual report and the trial balance sheet in 2001 are used. Lastly, a series of interviews are conducted to discuss the

findings and the proposed conclusions with ten treasurers. Instead of being redundant, these three different kinds of data of which certain elements can be matched, enhance triangulation, which may improve the validity of the study. The research is based on a random sample of 100 organisations out of the 308 which started to implement the reform between 1998 and 2001. The data analysis mainly concentrates on the implementation of the different facets of the reform programme and on the characteristics of the organisations. Apart from the descriptive statistics, ordinary least squares (OLS) regression analysis is used to test possible reasons for and associations with the varying management practices.

Data Analysis

The respondents were fairly willing to participate; by means of an intensive follow-up (third requests and telephone calls) the archival data was gathered for 83 organisations while 86 in total returned the survey.

Main Results of the Index

The main figures related to the management index and its eight components are shown in Table 3. The total extent of management scores ranges from a high of 65 per cent for the maximum possible score to a low of 18 per cent. On average, each organisation reported 16.8 management compliance items or 39.9 per cent of the maximum possible compliance total of 42 the organisation is expected to score. Hence, one could conclude that, in general, local entities signal a low level of compliance with the prescribed management reform. Moreover, the maximum score of 65 per cent could indicate a structural problem, because the organisations do not succeed in full compliance with legal requirements, although for every element of the management index there appears to be at least one entity scoring the maximum. This reveals that, from a theoretical point of view, it is possible for an organisation to reach a management index of 100 per cent.

Table 3. Main measures of management compliance by index and of the different components

	Mean (%)	Std. dev.	Max. score	Min. score
Management Index	39.9	11.4	65	18
<i>Components</i>				
Administrative manual	29.3	22.9	87	0
Long-range planning	66.7	21.6	100	0
Budgeting	68.9	19.9	100	33
Budget controllership	13.1	18.9	65	0
Activity centres	89.7	12.8	100	50
Cost accounting	47.4	28.2	100	0
Management reporting	29.1	19.8	67	0
Internal audit	19.7	23.6	81	0

Looking more closely at the different components of the management index varying compliance scores can be observed. For three categories a generally positive compliance score is found (i.e. long-range planning, budgeting and activity centres). For the five other categories the implementation of the management reform appears to remain rather poor. Among the worst performers are the categories of budget controllership and internal audit. On the whole, one could conclude that the adoption of the new management instruments is stuck on a moderate level and authorities apparently have paid attention to some specific components of the reform. Moreover, the findings suggest that the quality and success of these changes are doubtful and probably much lower than intended and expected at the start of the initiative. These characteristics are consistent with those previously identified in prior work on Flemish municipalities (Christiaens, 1999).

Factors Affecting the Index

Table 4 reports the OLS regression results. The observed F-statistic of the regression is 4.566 and significant at $\alpha = 0.000$ which suggests an acceptable goodness-of-fit. The validity threat of multicollinearity is examined with a Pearson correlation test and by calculating the tolerance and variance inflation factors for all the independent variables. No

Table 4. Ordinary least squares linear regression results for the proposed model

R	R ²	Adjusted R ²	Std. error of the estimate				
0.60	0.36	0.281	0.09644				
ANOVA	Sum of squares	df	Mean square	F	Sig.		
Regression	0.382	9	0.042	4.566	0.000		
Residual	0.679	73	0.009				
Total	1.061	82					
Model	Unstandardised coefficients		Standardised coefficients	t	Sig.	Collinearity statistics	
	β	Std. error				β	Tolerance
(Constant)	0.113	0.103		1.089	0.280		
EDU	0.034	0.019	0.175	1.760	0.083*	0.884	1.132
TRAIN	0.026	0.010	0.252	2.591	0.012**	0.927	1.079
PROJL	0.094	0.030	0.311	3.142	0.002***	0.893	1.119
CONSUL	0.048	0.024	0.194	1.973	0.052*	0.909	1.100
POLSUP	0.318	0.103	0.313	3.087	0.003***	0.852	1.173
HELPD	0.033	0.063	0.053	0.523	0.603	0.853	1.173
AUDQ	-0.068	0.100	-0.071	-0.679	0.499	0.807	1.239
FICON	0.000	0.000	0.041	0.425	0.672	0.924	1.082
FIINDE	-0.001	0.052	-0.001	-0.014	0.988	0.967	1.035

Note: Significant at 0.01 (***), 0.05 (**) and 0.01 (*). One tailed test for directional predictions.

indication of multicollinearity is found between the different variables. Regression residual tests for normality and constancy of variance and a check on the existence of outliers indicate no significant distortions from the assumed regression conditions. An interpretation of the proposed model seems to be appropriate. The model has three significant variables with the theoretically expected sign, TRAIN, PROJL and POLSUP. A trend can be observed for the variables EDU and CONSUL while, although not significant, a negative relationship is shown for two of the remaining variables.

The regression provides persuasive results for the proposed hypotheses concerning the technical aspects. TRAIN ($\alpha = 0.05$), EDU ($\alpha = 0.10$) and PROJL ($\alpha = 0.01$) all are significant. While more of a 'trend' is observed for the general level of education (EDU), entities with the attribute of specific training in reform related matters (TRAIN) show significantly higher levels of compliance. Moreover, the implementation of good project leadership (PROJL) is a very important explanatory factor for the management index. With respect to the inter-organisational influences a trend is found for CONSUL ($\alpha = 0.10$), measuring the average level of outside support from consultants. The findings support a significant positive tendency in the management index ($\alpha = 0.01$), confirming the hypothesis that political support (POLSUP) is a positive indicator. However, the variables HELPD as an indicator for the support from the regional helpdesk and AUDQ measuring the perceived quality of the external audit are not significant. Hence, support from higher authorities seems not to be associated with the management index. Concerning the financial aspects the findings indicate no significant relationship for the proposed hypotheses. In this study financial factors do not seem to deliver an explanation for cross-sectional differences.

Discussion and Conclusions

Research Findings

In general, the empirical research findings indicate that the level of adoption and the quality of the new management instruments in Flemish Public Centres of Social Welfare are realised only to a limited extent. The data suggest that the local authorities experience implementation difficulties in complying with the reform. On the other hand, some features of the reform show relatively higher scores (i.e. activity centres, budgeting and long-range planning). It seems as if management deliberately focused its attention on some specific management aspects while ignoring others. One could argue that the accounting related reforms have received more attention. As those aspects of the reform are under a stricter supervision within the reporting process, there is probably some pressure to comply. Although it is quite difficult to identify the effects on managerialism, which can be related

exclusively to the current reform, a historical effect also has to be taken into account. For example, as authorities are historically rooted in a financial environment encapsulated by a budgeting process it seems logical that the transfer to a new budgeting system would gain ample attention. One can also assume that organisations could have already found ways of experimenting with business tools, apart from regulatory demands. These arguments could be set forward for the more formalistic aspects such as the division in activity centres and the long-range planning, which are tools many entities already could have implemented without the aid of the project. From an institutional point of view the findings indicate that some adjustments in practice can mainly be regarded as a response to external change in the formal expectations. The extent and the quality of adoption of some instruments (i.e. activity centres, long-range planning, budget controllership) clearly indicate that local entities are merely trying to fulfil the new requirements in a search for legitimacy than to actually improve their decision-making and control mechanisms. Budget controllership was often implemented but not in the way intended by the legislator and consequently shows a generally low compliance score.

The cross-sectional differences in the level of adoption reveal that there are certainly some significant enablers and constraints in the process of organisational change. The importance of inter-organisational influences such as professional support from consultants and direct support from the council corroborate that organisations are connected with their wider institutional surroundings in processes of renewal. At the same time substantial evidence is found for the impact of local internal dynamics in managing the shift. In particular, the general level of education, the specific competence of the staff and the implementation of thorough project management significantly improve the adoption process. Although the significance of financial aspects is tested, only weak correlations emerge. This could be partly explained by the double likeliness of direction of financial aspects. While affecting the independence and signalling possibilities of an entity, financial stress factors could also make it more inclined to adopt reform, and vice versa (see e.g. van Helden, 2000). Interpreting these findings, one could assert the importance of a professionally skilled workforce, accustomed to the new practices and policies, understanding and supporting the alteration in the underlying meanings of their work. While this can be enacted by means of sound project leadership and outside professional support, one should not overlook the reform's political nature (Skelley, 2002).

Executive Perceptions of the Adoption Process

In order to discuss and fine-tune the findings and conclusions of this research, additional interviews were organised with ten randomly selected treasurers of the examined local entities. This related research provides indications that

management has devoted relatively more energy to the new accounting system and linked aspects than to the management reform. The reasons that were mentioned for the adoption of the management instruments varied. Some interviewees indicated that they felt a need to improve the utility and the effectiveness of their organisation or to appear more 'modern'. In general, the legislative requirements were identified as the main drivers for change. With respect to the actual use of the new instruments there were mixed results. Sometimes the interviewees did not see the point of some new techniques (for example, an administrative manual; quarterly reporting) because of the limited size of their organisation. Regarding some instruments many interviewees showed some resistance (i.e. budget controllership) or claimed a rather formal adoption (i.e. long-range planning, management reporting). Nearly all of the interviewees claimed to be familiar with the new instruments and most of them recognised that implementation demanded considerable effort. In particular, the development of the administrative manual was considered a difficult and time-consuming task. Many interviewees mentioned the lack of involvement from higher authorities and some claimed an insufficient capacity to implement the reform properly. All in all, the interviewees regarded the management reform as a positive initiative and most of them were satisfied with the rate of progress.

Towards an Acceptable Explanation

Following Deephouse and Carter (2005), the institutional perspective might provide an acceptable explanation for the generally restricted level of adoption. When adopting reform, organisations are trying to conform to new strategies, structures and practices in order to fit in to the wider social system and to become generally acceptable (Tolbert & Zucker, 1983; Fligstein, 1991). Usually these strategies, structures and practices emerge from interactions of leading organisations within the institutional field (see e.g. Washington, 2004). In the case of a regulatory reform another process is taking place since the new institutions are imposed by the state, considered a powerful entity exercising coercive pressures to conform (Scott, 1995). One can expect governmental organisations to comply with legislation to obtain legitimacy and (financial) security. However, if a deviation from the cultural and legal expectations does not deliver the organisation a legitimacy problem, additional drivers are deemed necessary to create institutional change, as institutional inertia is likely to prevail. The current case seems to deliver a good example of the suggested course of action, as indicated by three additional explanatory factors.

Firstly, it seems that the elected officials have been taking an 'ideologically acceptable reform model off the shelf' (Lowndes & Wilson, 2003) without any further interest in the institutional arrangements. The modernisation agenda, centrally developed, has been imposed top-down without any concerted attempts to involve local government or the public. Secondly,

central government's approach to institutional reform is characterised by a general lack of interest and commitment to actually enforce and guide the implementation. Apart from a number of formalistic requirements related to annual reporting obligations, rigorously checked by the external audit, higher authorities are not exercising due monitoring of the adoption process. Thirdly, local entities themselves are not very concerned with a situation of non-compliance as the funding process, directly related to their financial results, takes place at the municipal level within the political-administrative system. Taking into account the low levels of accountability, the ineffective system of enforcement and the few incentives that might enhance compliance it is not very surprising that the reforms are progressing slowly.

Summary and Implications

Although the management reform project is recognised as a major movement for change in Public Centres for Social Welfare, this does not guarantee the degree to which changes are actually realised. Initiated by the Ministry of Home Affairs and enacted by a new general law (NOB) regarding these public entities, the adoption itself was transferred to the local level soon after it started. The empirical investigation mainly examines the extent to which various reform aspects have been adopted in practice some years after regulatory change. In general terms the management reform can be considered difficult, although some new management techniques have become embedded.

This article began by stating that assessing management reform is a difficult undertaking if the objective is to make a fair statement without losing sight of numerous evaluatory hurdles. By constructing the management index the current research has prepared a reliable and transferable instrument for empirical examination. The study proposed the use of a broad institutional model for the assessment of reform adoption by emphasising the importance of local organisational aspects as well as the larger institutional field when considering organisational change, and the results have indicated different significant effects when taking these aspects into account. Finally, the research offered a plausible explanation for the pattern of changes present within the proposed model.

All in all, a continuation of the reform of Flemish local authorities is expected. The newly imposed management instruments seem sustainable but the entities will need to cope with difficulties in introducing and applying businesslike instruments. Efforts at improvement need to be initiated and supplemented with new values such as transparency, increased professionalism and accountability to the public in order to promote real institutional change. Local government should engage in new initiatives only if they are convinced of a practical benefit to the organisation. On the other hand, central government should be aware of its ability to create coercive

isomorphic forces, which can lead to unintended consequences. By mainly imposing a large set of new management and accounting practices through legislative reform and without, or with insufficient, further guidance or monitoring, a variety of outcomes can be expected of the reform initiative. A major challenge includes the organisation of a sound and continuing guidance and monitoring process for the local entities undergoing reform.

Referring to Pollitt's (2002: 477) framework of convergence, this article has focused mainly on the second level of reform adoption, the formal instrumental changes. Only limited attention is devoted to the actual use of the newly established instruments in practice and the processes of institutional redesign. In order to obtain a more complete understanding of institutional change through regulatory reform additional research should shed some light on the processes through which newly imposed institutions are diffused and become embedded at the local level.

Note

1 An OCMW (literally: Official Centre for Mutual Welfare) is a governmental entity providing a number of additional municipal services such as health care, care for the elderly, social support. Each OCMW is related to just one municipality and vice versa. In Flanders, being the largest district in Belgium, there are 308 OCMWs. To improve the readability of the article the term OCMW is translated to 'Public Centre for Social Welfare'.

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Appendix 1. Elements of the management index

Components (Total 42 points)	Code	Measure	Source
<i>A. Administrative manual (9 points)</i>			
1. Approach to development	APPRAM		
Phased approach		QI	Query
2. Development phase	DEVEAM		
Developed parts		QI	Query
Administrative procedures		QI	Query
Flowcharts		QI	Query
3. Assistance development	ASSISAM		
Internal assistance		D	Query
4. Realistic – actualisation – improvement	RAIAM		
Formal procedure for changes		QI	Query
5. Accessibility	ACCEAM		
Hard-copy		QI	Query
Intranet		QI	Query
Explication		QI	Query
<i>B. Long-range planning (5 points)</i>			
6. Time span	TIMELRP		
Time span most recent long-range plan		D	Query
7. Actualisation	ACTUALRP		
Frequency actualisation long-range plan		QI	Query
8. Completeness strategic note	COMPLSN		
Content mission		QI	Query
9. Completeness financial note	COMPLFN		
Developed parts		QI	Query
Compliance schedules		D	Query
<i>C. Budgeting (5 points)</i>			
10. Swot-analysis	SWOTLRP		
Approach budgeting		QI	Query
11. Completeness	COMBUD		
Developed parts		QI	Query
Investment budget		QI	Query
Compliance schedules		D	Query
12. Participation	PARBUD		
Participation pre-design		D	Query
Budget commission		D	Query
<i>D. Budget controllership (6 points)</i>			
13. Number of vertical budget responsibility areas	VERBUD		
Vertical budget responsibility areas		Qn	Query
12. Number of civil servant budget responsibility areas	CIVILBUD		
Civil servant budget responsibility areas		Qn	Query
14. Function description	FUNBUD		
Content function description		QI	Query
Insertion in other documents		QI	Query
15. Accountability	AGRBUD		
Individual task agreement		D	Query
Evaluation task agreement		D	Query
<i>E. Activity centres (3 points)</i>			
16. Activity centres – concept	ANALAC		
Number of activity centres		D	Balance sheet
Clarification in notes		D	Notes
Division between service types		D	Balance sheet

(continued)

Appendix 1. (Continued)

Components (Total 42 points)	Code	Measure	Source
17. Activity centres – practice	PRACTAC		
Number of zero-balance totals		D	Balance sheet
Number of zero-result totals		D	Profit/loss account
Outliers balance total		D	Balance sheet
Size general AC		D	Balance sheet
<i>F. Cost accounting (3 points)</i>			
17. Calculation of costs	CACOST		
Calculation of costs		QI	Query
Implications of cost calculation		QI	Query
Details in notes		D	Notes
Allocation overheads in notes		D	Notes
Internal billing		D	Trial balance
<i>G. Management reporting (3 points)</i>			
18. Completeness reporting	COMPLREP		
Completeness reporting		QI	Query
19. Recipients of (written and/or oral) reports	RECREP		
Recipients written reports		QI	Query
Recipients oral reports		QI	Query
<i>H. Internal audit (8 points)</i>			
20. Frequency internal audit	FREQIA		
Frequency legality audit		D	Query
Frequency VFM audit		D	Query
Frequency financial audit		D	Query
21. Completeness internal audit	COMPIA		
Completeness VFM audit		D	Query
22. Independency internal audit	INDEIA		
Internal assistance legality audit		D	Query
Internal audit commission		D	Query
Internal assistance VFM audit		D	Query
23. Best practices	BESTIA		
Reporting internal audit		QI	Query
Audit charter		QI	Query
Budget internal audit		QI	Query
Marketing internal audit		QI	Query