

Special issue on accounting and performance management innovations in public sector organizations

The current special issue of the *Baltic Journal of Management* is motivated by the need to advance our theoretical and empirical knowledge on accounting and performance management innovations in the public sector context, and to shed light on international developments in these fields.

An innovation is largely recognized as a successful introduction of something new and useful, but some authors (Hartley, 2005; Dasgupta and Gupta, 2009) emphasize that innovation is not just a new idea but also a new practice. According to Greenhalgh *et al.* (2004, p. 40) innovations have to be “perceived as new by a proportion of key stakeholders.” Hartley (2005, p. 27) points out that stakeholder orientation is a useful approach to public sector innovation across a wide range of services.

The majority of papers submitted to this special issue were dedicated to the different innovative aspects of performance management in public sector organizations. Performance management in public sector organizations is actually not a new idea or topic because efforts to improve performance in public sector (e.g. within new public management framework) have focused on improving performance management practices (Hood, 1991, 1995; Verbeeten, 2008; Fryer *et al.*, 2009). Still, in majority of public sector organizations, the performance management issues need a better understanding of how new performance management ideas improve public sector organizational practices. Four of the five papers in this issue shed light on the performance management practices from different angles of being innovative, highlight different empirical contexts and, in this sense, contribute to the extant literature in the field.

All five papers in this special issue provide interesting debates that will further our understanding of performance management in various organizational and conceptual arrangements. From conceptual side, two papers (Dorota Dobija, Anna Górska and Anna Pikos; and Albert Traxler and Dorothea Greiling) focus on issues of how performance management systems (PMS) in organizations respond to external pressures from powerful actors or stakeholders. Both of these papers also have similar comparative focus on public and private ownership of organization. This comparison is important because public sector organizations seem to lag behind when it comes to use of performance management innovations especially in convincing and involving external stakeholders; that both papers convincingly demonstrate. Two other papers (Jan Alperberg, Tomasz Wnuk-Pel, Philip Adamsson and Johannes Petersson; and Tomi Rajala and Harri Laihonon) focus on “real” use of performance information by local government actors. These papers have also adopted different methodological approaches – three papers are based on case studies (Dorota Dobija, Anna Górska and Anna Pikos; Jan Alperberg, Tomasz Wnuk-Pel, Philip Adamsson and Johannes Petersson; and Tomi Rajala and Harri Laihonon), one paper (Albert Traxler and Dorothea Greiling) on broad content analysis of 83 sustainability reports and one paper – as general conceptual review (Christoph Reichard and Jan van Helden). The papers hopefully will also expand our geographical range of knowledge as the case studies involve public sector organizations from Poland, Sweden and Finland and documentary analysis involves sustainability reports published in 28 different countries.

This paper forms part of a special section “Accounting and performance management innovations in public sector organizations”.



The first paper, written by Dorota Dobija, Anna Górska and Anna Pikos, investigates internal changes in response to external pressures by accreditation agencies and other powerful stakeholders, by focusing on organizational and individual changes taken up by two Polish public and private business schools. In particular, their study examines the internal research-related performance measurement (PM) system and also changes in their uses. Their findings showed that powerful stakeholders (such as accreditation agencies) are the primary reason for changes in PM system and the way PM are used in different ways in two contexts. In particular, private universities are more likely to seek legitimacy from external stakeholders. The differences in PM systems and their related uses in the public and private universities are also likely to stem from the perception of these important stakeholders and their information needs. In previous studies, comparative research on public and private universities is still limited especially in relation to the differences in the context of PM and their related uses. The authors' contribution is particularly interesting and original considering the lack of previous studies on PM systems and their uses in the unique research context of Polish higher education and the entire Central and Eastern Europe.

Sustainability reporting in public sector organizations has been introduced as an innovation during the last decade (see Lozano, 2011, 2006; Guthrie and Farneti, 2008), but investigations regarding how new ideas are practiced in this field still need to be empirically expanded. According to Moore (1995), the drivers of public sector innovations need to achieve widespread improvements in governance and service performance in order to increase public value. The second paper by Albert Traxler and Dorothea Greiling focuses on investigating the degree of electric utilities compliance with the GRI-based sustainable public value (SPV) reporting on economic, environmental and social indicators. They also address how ownership (i.e. stock exchange listing vs public ownership) can explain differences in the compliance rates. Motivated by a combination of agency as well as stakeholder and legitimacy theories, the authors analyze data from 83 GRI G4 reports from 28 countries all over the world. The paper shows a large variation in compliance between and within different categories of guidelines. While economic indicators having the lead and reporting on human rights is rather an emerging dimension; the compliance rates regarding environmental performance are beyond satisfactory level taking into the account the critique toward the electric utilities on environmental issues. Sector-specific indicators are also lagging behind the scope of general disclosures that seems to be problematic for the legitimacy of electric utilities. Finally, the authors report that stock exchange listed utilities are more likely to do GRIs SPV reporting than the publicly owned utilities. Publicly owned utilities seem to put fewer efforts on legitimating themselves to stakeholders demonstrating public value they create. The value of the paper is in its contribution to a better understanding of differences in electric utilities compliance with SPV reporting frameworks.

In the third paper, Jan Alpenberg, Tomasz Wnuk-Pel, Philip Adamsson and Johannes Petersson address how and why environmental performance indicators (EPI) are used by decision-makers in the public sector. Specifically, the authors focus on the use of EPIs by municipal managers and CEOs for municipality owned companies of Våxjö municipality in Sweden that, as one of the "pioneers," has been working with the environmental issues for more than 40 years. By relying on Behn's (2003) framework, the authors demonstrate that the use of EPIs is primarily driven by local politicians and that EPI indicators are used differently by municipal managers and by company managers. While municipal managers use EPIs mostly for internal purposes (e.g. budgeting, control and improvement), the company managers use EPIs mostly for external purposes (e.g. communication, legitimization and celebration). The authors conclude that the use of EPI seems to be a multi-layered structure of interests and purposes ranging from "work for environment" reasons, "resource allocation and control" purposes, "municipality marketing" and, finally, to politicians who are able to build their own careers and positions. This is an interesting contribution to previous studies demonstrating how the use of EPI by local politicians is driven by the strong demand to push the "green agenda."

In the fourth paper, Tomi Rajala and Harri Laihonon focus on the managerial choices used in the organizational design of dialogic performance management by public sector managers. The authors investigate how managers contribute with their choices to the success or failure of dialogic performance management issues. The authors use multiple data collection methods which are implemented in childcare services of a Finnish local government. Their research approach is based on narrative analysis of the managerial choices associated with dialogic performance management. The authors' findings include a set of managerial choices used on different organizational levels of the local government to orchestrate dialogic performance management. They demonstrated empirically that public managers can choose different purposes, topics, participants, time spans, forums, dialogue methods and performance information as different options for their managerial choices within dialogic performance management. The results also show that managerial choices shape the form of dialogic performance management, which should encourage practitioners to ask whether their performance management practices are based on managerial monologues, rather than dialogues that better incorporate the staff into the performance management. The paper contributes to performance management literature examining the managerial choices that are used to shape dialogic performance management in public sector organizations.

When studying innovations, there is a call in the literature (see Merchant *et al.*, 2003; Van Helden, 2005; Verbeeten, 2008) to integrate several research disciplines. During the last decade, management control (MC) issues in public sector organizations have been improved (see Verbeeten, 2008; Spekle and Verbeeten, 2014). In the last paper of the current special issue the authors investigate whether and how changing ideas about MC emerge in research on public sector performance management. The last paper by Christoph Reichard and Jan van Helden investigates whether and how changing ideas about MC emerge in research about public sector performance measurement (PSPM). The authors made an unstructured literature review using a set of key terms derived from a literature review of emerging developments in MC. Their study showed that MC research, coming from management accounting discipline, is strongly decoupled from PSPM research that is mainly included in public management and administration disciplines. These diverging disciplinary roots are the main reason that MC discourses have not been followed by PSPM-scholars. However, the authors also highlighted overlaps between MC and PSPM research, especially regarding the cybernetic control approach, control variety and the use of contingency theory. Their findings suggest that traditional MC concepts and tools (trust as a component of performance-based controls and the role of strategy in contingency-based studies) might be useful for future PSPM research. Reichard and van Helden also presented more specific directions for contingency-based PMS in the public sector. Their interesting findings also showed that Public Sector accounting's research community potentially connects MC and PSPM research.

The findings of the papers in this special issue provide new insights into the innovative role of PM, MC and sustainability reporting in public sector organizations. They have explored various types of PM and management practices and their influence on the views on management of public sector organization. Overall, the studies have raised important issues that warrant future research.

We are aware that this special edition of the *Baltic Journal of Management* covers only a small part of the work currently going on in the innovative field of PM and management in public sector organizations. It is our deep understanding that there are much more aspects to be investigated and that academics, managers, officials and policy makers have much to gain by continuing to share their knowledge from different public sector contexts across borders.

Future research could critically assess the state of academic research in accounting and PM changes not only in traditional public organizations but also in hybrid organizations (Grossi *et al.*, 2017). Hybrid organizations operate according to multiple values in a context characterized by ambiguity when they face multiple (not always aligned) logics from private

and collective actions that generate different types of pressures that may conflict with each other (Greenwood *et al.*, 2011). Future studies could use emerging streams of institutional theories (e.g. institutional logics, work and entrepreneurship) to analyze both the exogenous and the endogenous pressures, as well as the role of individual actors that are promoting and developing accounting and PM changes within public and hybrid organizations (Berry *et al.*, 2009). Organizations are, in the end, represented by individuals who interpret the often conflicting logics found both in public and hybrid organizations (Grossi *et al.*, 2017).

Another potential research issue is to examine how governments determine their strategies and public policy objectives, particularly in the area of collaboration between public and private sector organizations. As a theoretical focus “governmentality” may be used as it examines the discourses that shape the meaning and significance of government policies (Kurunmäki and Miller, 2011). The governmentality framework could be useful to explore how governments (cities and regions) drive smart city initiatives in the pursuit of governmentality goals spanning from efficiency to sustainability goals (Brorström *et al.*, 2018).

A further great area for research – and for impact – lies with the studies on the different uses and users of accounting and performance information (Caperchione *et al.*, 2017). Internal actors (politicians, managers, auditors, etc.) are regularly using such financial and non-financial information for various purposes, ranging from internal planning, decision-making and control to external accountability and legitimacy issues toward external actors (such as citizens, financial institutions, rating agencies, national audit institutions and other governments). While some actors use performance and accounting formation in a functional way, as in other types of organizations, there are also variants of a more symbolic or “political” use (Raudla, 2012; Agostino and Arnaboldi, 2017).

Future research could be implemented using different research methods; case studies, experiments, observations and interviews can be used to advance our research curiosity in accounting and PM changes in the public as well as in hybrid contexts. The future studies will be performed using not only multiple a case study but also comparative country approach that could also employ a mix of quantitative and qualitative methods.

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