

Forthcoming in *Financial Accountability & Management* (2009)

# Institutional Research on Performance Measurement and Management in the Public Sector Accounting Literature: A Review and Assessment

Sven Modell

The Herbert Simon Institute  
Manchester Business School  
University of Manchester

# Background

- Performance measurement and management (PMM) one of the most extensively researched topics in the public sector accounting literature (Broadbent & Guthrie, 2008; van Helden, 2005).
- Research dominated by a descriptive or prescriptive emphasis.
- Research based on new (or neo-) institutional sociology (NIS) one of very few substantial and reasonably coherent research programmes in this area.
- What is the state-of-the-art of this research programme and how can it be further developed?

# Key Developments in NIS: Some “Benchmarks”

- From one-sided emphasis on diffusion and isomorphism to greater attention to competing institutional logics and embedded agency.
- From simplistic distinctions between legitimacy- and efficiency-seeking behaviours to growing interest in situated rationalities and institutionally embedded market forces and efficiency concerns.
- From heavy emphasis on macro-level studies in organizational fields to more detailed analyses of micro-processes of institutionalization (but still limited attention to cross-level analyses).

# The Sample under Review

- 28 journal articles published between 1995 and 2009.
- Early phase (1995-2003): dominance of conceptual papers and cross-sectional studies using NIS in isolation.
- Later phase (2003-2009): growing reliance on longitudinal studies and combination of NIS with supporting theories.
- Main (partly over-lapping) topics: goal-directed PMM, multi-dimensional PMM, relative performance evaluation.
- Main fields under examination: health care, higher education, local and central government.
- A certain dominance by studies in Scandinavian countries.

# Thematic Review:

## De-coupling/Loose Coupling

- Early research nearly exclusively focusing on de-coupling/loose coupling of PMM practices.
- But de-coupling not necessarily seen as separation of symbolic and instrumental functions of PMM (e.g., Brignall & Modell, 2000).
- De-coupling/loose coupling as static state.
- Few rigorous tests of the determinants of de-coupling (Cavalluzzo & Ittner, 2004; Johansson & Siverbo, 2009).
- Limited attention to:
  - how loose/tight couplings evolve over time (Modell, 2003; Siti-Nabiha & Scapens, 2005),
  - broader set of organizational responses to institutional pressures (Modell, 2001; van Helden & Tillema, 2005), and,
  - institutional logics (Townley, 1997).

# Thematic Review: Beyond De-coupling/Loose Coupling

- Shifting focus from institutional effects *on* PMM to its *constitutive roles* in organizational fields and individual organizations.
- Greater attention to:
  - role of changing PMM practices in political processes and power struggles in organizational fields (Modell, 2005; Østergren, 2006),
  - role of ambiguity in re-constructing PMM practices (e.g., Modell, 2005, 2009),
  - multi-level dynamics in the process of institutionalizing PMM (e.g., Modell et al., 2007), and,
  - embeddedness of market forces in institutional logics (Modell & Wiesel, 2008).

# Theoretical Extensions

- Mainly through juxtaposition of NIS with more efficiency-centred theories (e.g., contingency theory, economic theories).
- This underplays the institutional embeddedness of efficiency concerns and the complexity of choice in institutional environments.
- Some attempts to enrich NIS with:
  - economic sociology (Modell & Wiesel, 2008),
  - path dependency literature (Modell et al., 2007), and,
  - managerial/organizational learning (Modell, 2004, 2009).

# Theoretical Extensions: Some Emerging Challenges

- Limited attention to potential ontological and epistemological discrepancies between theories.
- Making efficiency-centred theories more constructivist (e.g., Modell et al., 2007; Modell & Wiesel, 2008) or NIS more objectivist (e.g., Cavalluzzo & Ittner, 2004; Johansson & Siverbo, 2009)?
- Still limited attention to micro dynamics of change in PMM practices, although some progress made through the use of sociology of translation (Modell, 2005; Adolfsson & Wikström, 2007).



# Future Directions

- Greater attention to multi-level dynamics in the process of institutionalizing PMM practices and how micro dynamics are implicated across different levels of analysis.
- Further research bridging institutional and (objectivist) efficiency-centred rational choice explanations required.
- How can this be accomplished?

# Exploring Multi-Level Dynamics

- Shifts in institutional logics probably only observable over extended periods of time.
- Attention to micro-level details need to be combined with longitudinal investigations of macro-level developments within institutional fields.
- Potential of mixed methods research for exploring such multi-level dynamics.

# Combining NIS with Actor Network Theory (ANT)

- ANT embodies a strong process focus paying particular attention to the interplay between multiple actors (and actants).
- Useful for exploring the objectification of PMM practices across different levels of analysis.
- Directs attention to ongoing reproduction and transformation of PMM practices (ie. change as ongoing micro process rather than disjunctive macro-level episodes).
- Concepts such as path dependencies and institutional logics may help structure detailed ethnographies often emerging from ANT.