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Actors' dynamics towards performance- based budgeting: A mix of change and stability?

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Abstract

Purpose

This article analyzes the under-investigated role played by different key organizational actors engaged in the practice of performance-based budgeting (PBB) (e.g., Ministry of Finance, National Audit Office, Sectoral Agencies) to explore how they influence the practice of PBB, contributing to lead the change or create resistance towards it.

Design

The empirical evidence has been collected through a multiple case study based on semi-structured interviews and document analysis in Sweden and Finland, which have long traditions with PBB, and has been interpreted through the lens of institutional and organizational change theory.

Findings

The results show that, despite the lengthy experiences with PBB, the lack of sound dynamics across key actors makes the budgetary use of performance information limited and partial, placing the reform in a “grey area” between the complete implementation of the practice and the total resistance towards it.

Originality/Value

The knowledge obtained from the exploratory analysis has relevant implications for understanding differences and similarities across key organizational actors and underlining their crucial role in making a change feasible. Indeed, PBB may represent a radical change even in presence of embedded performance management systems.

Paper type: Research paper

Keywords

Performance- based budgeting, Central government, Finland, Sweden, Internal dynamics

1. Introduction

Performance-oriented reforms, including performance-based budgeting (hereafter PBB), have been proposed as potential solutions to the problems of efficiency, effectiveness, and/or accountability in the public sector. The rationale of PBB is to produce and use performance information in the budgeting process to improve allocation of resources (Budding *et al.*, 2015; Jordan and Hackbart, 2005; Robinson and Brumby, 2005). Specifically, the practice of PBB refers to the practice of integrating performance measurement information into the budgetary process (Lu *et al.*, 2015), where this integration can take different forms ranging from the reporting of performance information in budgeting documents to their use to allocate resources among different programs.

The practice of PBB is thus in line with the performance management movement in the public sector. However, while this latter movement refers more broadly to the production of performance measures and information and their use to monitor, assess and report performance influencing organizational decision-making, PBB is characterized by the ambition of influencing the budgetary decision-making. It has been thought as a practice suitable for paying more attention to how available resources are used and which results should be achieved compared to traditional public budgets, which have been focused on cost control and adopted an input-based rather than outputs and outcomes- based approach (Macnab and Mitchell, 2014).

However, the ambiguous and potentially contrasting goals of PBB (e.g. Arellano-Gault and Gil-Garcia, 2004) of improving both accountability and performance, together with practical difficulties, have livened up a debate about the problem whose solution is PBB (Pitsvada and LoStracco, 2002). Usually, problems search for solutions. Sometimes solutions are in search for problems to address (March and Olsen, 1976). Further, even if a new practice, as PBB, is introduced as a solution to existing problems, it can become a source for new challenges (Vakkuri, 2013). For instance, difficulties in producing clear and uncontested performance information leave room for interpretation. Ambiguities in actors' understanding and choices (Moynihan, 2008; Noordegraaf and Abma, 2003) create tension between the measurement of performance and its meaning, resulting in differentiated support and commitment across actors (Normann, 2002). Hence, the roles of different key actors, ranging from politicians and legislators, to auditors, managers and public servants in ministries/agencies who are involved in the process of adoption and practical use of PBB, are of utmost importance, although few scholars have investigated and compared how and why these actors may influence PBB (Berry and Flowers, 1999; Melkers and Willoughby, 2001; Ridder *et al.*, 2006; Willoughby and Melkers, 2000). At the same time, considerable attention is still paid to understand and explain the budgetary use of performance information among both practitioners and academics

(Bleyen *et al.*, 2017; Cuganesan, 2017; Downes *et al.*, 2017; Jakobsen and Pallesen, 2017; OECD, 2013; Saliterer and Korac, 2014; Sicilia and Steccolini, 2017; Sohn and Bin Bae, 2017).

Therefore, this research aims to analyze how and why different key actors contribute to influence the practice of PBB. The research assumes that PBB can be used and effective depending on the internal dynamics (Greenwood and Hinings, 1996) of the key organizational actors involved. In particular, the research aims at exploring how different dynamics influence the response to the reform initiatives, contributing to determine whether the process of reform implementation may end up with bringing changes, stability (continuity) or a mix of both (Ashworth *et al.*, 2007; Klase and Dougherty, 2008; Rautiainen and Jarvenpää, 2012; Trader-Leigh, 2002).

This research focuses on different key organizational actors, as represented by counsellors and officers in Ministry of Finance, performance auditors in National Audit Office and administrators in governmental agencies in two Nordic countries, Sweden and Finland, selected for their well-known and long experience with PBB and their distinctive Nordic features (e.g. Johnsen and Vakkuri, 2006; Johnsen *et al.*, 2006). By relying on the analysis of documents and semi-structured interviews, the research aims to contribute to the body of knowledge on PBB, providing also insights for future development of performance-oriented and budgeting reforms. The analysis will point out the crucial role of internal dynamics in explaining how and why multiple key actors may differently influence the practice of PBB and the underlying process of change. By adopting this approach, the research contributes to the body of knowledge on PBB by providing new evidence on its practice, which appears under investigated in contexts where it presents well developed, and by exploring and contrasting the role played by different actors. Further, the research contributes to the understanding of the implementation of PBB by pointing out the possibility of mixed responses to the reform initiatives and the reasons why the reform process may appear limited and partial.

The paper proceeds as follows. The next section provides key insights into the practice of PBB. Then, the paper explains the conceptual approach used, followed by the illustration of research setting and method in the fourth section. Findings on PBB are illustrated in the fifth section, and then discussed in the sixth section. The final paragraph draws conclusions highlighting implications for researchers and practitioners.

2. Insights into performance-based budgeting

The practice of PBB is well known for its turbulent and challenging history. The core component of PBB lies in the integration between performance information and budgeting process. However,

this integration has been conceptualized and implemented in different ways. Three main types of PBB have been initially identified by the OECD (2007). According to the first type (*presentational performance budgeting*), performance information is simply reported in the budget documents, while according to the second type (*performance informed budgeting*), performance information is used indirectly to inform budgetary decisions and, in the third case (*direct performance budgeting*), performance information is used to allocate resources based on actual or expected results in a direct and explicit manner. Previous empirical evidence on the topic has underlined the difficulties in building such linkage between funding and results (Joyce, 1993; Posner and Fantone, 2007; Wang, 2008). Consequently, PBB has undertaken a process of re-conceptualization over the last years. In respect of the three main types of PBB identified by the OECD, in 2017 one additional form has been officially recognized: a *managerial performance budgeting* in which performance information is used for internal managerial purposes and managerial accountability, with a lesser focus on the linkage with budget allocations (Downes *et al.*, 2017). This new form can be considered the consequence of years of experience, which have pointed out the predominance of managerial uses and purposes of PBB (Jordan and Hackbart, 2005; Lu, 2007). This implies that performance information can be reported and discussed during the budgeting process to emphasize results achieved and effectiveness, assuming a new weight in the process of objectives and programs prioritization, but with a limited linkage to resource allocation.

This process of re-conceptualization has been due to the widespread and relevant challenges in implementing PBB. The main difficulties can be traced to multiple factors, ranging from technical complexities and incomplete regulations (Robinson and Brumby, 2005), to a lack of adequate performance information, but also to unrealistic demands of information and incentives in the budgeting process and to contrasting political preferences and values (Jakobsen and Pallesen, 2017). In this latter regard, decision-making in the public sector is not always characterized by rationality (ter Bogt, 2004) but informed by diverse political interests. Further, different actors' understandings and values can challenge the use of performance information (Brown *et al.*, 1993), which is not comprehensive, but on the contrary ambiguous and subjective (Moynihan, 2006; Vakkuri, 2003). High-quality performance measurement has been believed to solve management problems and improve performance (Vakkuri and Meklin, 2006), but an excessive focus on measurement increases the risk of dysfunctions (Radnor, 2008). Thus, a shift from the preoccupation of measuring to the preoccupation of meaning is needed (Normann, 2002). This means that performance measures can be relevant and useful only when it is possible to obtain meaningful information and this requires actors' awareness of the purposes of performance measures and their shared understanding. In the context of PBB, the call for a budgetary use of performance information has emphasized the preoccupation of

finding appropriate meanings of performance, suitable for influencing the budget and, thus, underlined the crucial role of actors. As highlighted by previous studies, actors should be able to elaborate meaningful performance measures and interpret them correctly with the support of sound information systems (Andrews, 2004). In order to make this search for meanings successful, meaning and values of the practice of PBB should be understood, shared and supported by organizational actors involved in the implementation of PBB. However, changes in the deep-rooted governmental routines involve powerful players, including public servants and politicians, and may fail (Pollitt, 2001). Their role and points of view call for investigation, as the integration and use of performance measures and information into budgeting implies transforming the behavior of multiple actors.

The alignment of the aims of the reform with actors' values, and their full understanding of the work required together with their technical capacities to implement the reform are among the key factors recognized by the literature on PBB as key drivers of success (Andrews, 2004; Easterling, 1999; Grossi *et al.*, 2016; Kong, 2005; Sterck and Scheers, 2006; Wang, 2008). However, the analysis of multiple and different actors and their role have been downplayed. The role of managers has been object of scrutiny by Ridder *et al.* (2006), who studied the differences between top and middle managers in different municipalities with regard to accrual output-based budgeting implementation. While Berry and Flowers (1999) studied the role of different actors involved in the various stages of PBB. Nonetheless, a wider analysis comparing how and why different actors influence PBB has been lacking. With this study, we will contribute to fill that research gap.

3. Actors' dynamics in the practice of PBB: a theoretical backdrop

To contribute to fill the void identified in the literature on PBB, the current research draws upon several concepts proper of the institutional theory and organizational change theory. Concepts are employed to explain the change (or lack of) realized by implementing PBB reform in the two well-developed performance systems of Finland and Sweden. We use insights from the two streams of thought to explain the practice of PBB by exploring the role of key actors.

The institutional theory provides a useful approach to complement managerial and technical approaches to explain organizational change in the public sector (Ashworth *et al.*, 2007). It represents a way of thinking about organizational structures and practices and the ways they develop (Dillard *et al.*, 2004). Particularly, among the different theoretical perspectives on change and its causes in public sector (Fernandez and Rainey, 2006), a growingly relevant approach recognizes the importance of actors and their responses to change (Dacin *et al.*, 2002).

Previous studies have underlined the key role of actors in determining the success of an organizational change (Cohen and Karatzimas, 2014; Kong, 2005; Fernandez and Rainey, 2006). In public sector, politicians and public managers are pressured to introduce changes for improving efficiency and effectiveness but a strong case for change should be built to make it happen (Trader-Leigh, 2002). A political struggle should be engaged (Lindblom, 1994). In the context of PBB, different actors, ranging from politicians and legislators, to auditors, managers and public servants in ministries/agencies, are involved in PBB adoption and implementation during the diverse steps of the budget process (Lu *et al.*, 2015). Multiple key actor's reactions to proposed changes in accounting and budgeting systems can thus contribute to explain the success or failure of the change process. The dynamics and costs of change and resistance are worth of being explored (Trader-Leigh, 2002). In this perspective, leadership and commitment make a difference. Leadership of key actors should persuade others of the need for change, develop a course of action, and build internal and external support to reduce resistance and manage a successful organizational change (Fernandez and Rainey, 2006). Ministries, especially the Ministry of Finance (MoF), and politicians in the executive should provide the leadership support to the reform of PBB and then contribute to its implementation by using performance information in the decision making (Curristine, 2005). Other participants need to be committed to the reform and able to implement it. Politicians and legislative committees in the Parliament should use performance information for oversight and control purposes (Curristine, 2005), while auditors should check the correctness and quality of the process. Finally, managers and public servants in line ministries and governmental agencies are expected to contribute to the production and budgetary use of performance information.

In the light of these considerations, this research investigates how key organizational actors may contribute to PBB differently. The initial assumption is that actors influence the edit, translation and interpretation of ideas and practices (Scott, 2008) because of their disparate internal dynamics (Greenwood and Hinings, 1996). Indeed, actors' willingness and ability to realize PBB expectations and solve its potential problems of functionality can be considered to be determined by the actors' internal dynamics, firstly by the precipitating dynamics of interest satisfaction and value commitment (Greenwood and Hinings, 1996). The different actors engaged with PBB would firstly be dissatisfied with traditional budgeting practices, input-oriented, and then become satisfied with the practice of PBB. This direction of interest satisfaction is determined by the values to which actors are committed. Indeed, the dissatisfaction with traditional budgeting can result in satisfaction with PBB if actors become committed to this new practice.

At the central level of government, MoF actors are usually expected to play the role of change leaders being who contribute to introduce and implement a budgeting reform. In the context of PBB, they are expected to play a relevant role in communicating the reform properly and convincingly. Government-wide implementation of PBB is indeed unlikely without a strong leadership (Kong, 2005). However, after a reform process is initiated, it needs actors able to create the right context for the reform to be implemented (Aberbach and Christensen, 2001). This calls for the establishment of commitment towards the reform on the part of a wide set of actors, as managers, central and departmental budget officers in line ministries and government agencies. A prerequisite to build such commitment to PBB is that most of the key actors should share its logic and consider this practice valuable. It means that PBB should be found as a solution to existing problems of efficiency and effectiveness, or of accountability and transparency. Then, *commitment to PBB values and satisfaction* which constitute internal pressures for change are expected to motivate the actors to implement and use PBB. To this goal, relying on Greenwood and Hinings (1996), enabling dynamics are both technical and managerial competences, which should be widespread across key actors. They concern both *technical knowledge and management capacity (capacity for action)*. This means that organizational actors should have a proper understanding of PBB, the skills and competencies to implement, and the ability to manage the transition towards it (Kong, 2005). Indeed, the complexity of the practice of PBB asks for technical capacity to elaborate and interpret performance information, managerial capacity to ensure communication between information users and leadership to create the support needed. Without technical and managerial capacity for action, it is more difficult to build commitment towards the reform and to implement it.

In addition, commitment and satisfaction with PBB are influenced by the *power dependencies* linking the various actors (Greenwood and Hinings, 1996). Indeed, different actors have their own mission and goals and a different engagement with PBB. Their consequent diverse role in the institutional context and access to information and resources determine their capacity to control decision processes, enabling or resisting the change (Greenwood and Hinings, 1996) and determining the extent of performance information use. Lines of organizational authority influence the practice of PBB requiring the devolvement of discretion in order to make the elaboration and use of performance information possible by multiple actors (Andrews, 2004).

In light of these assumptions, we can assume that commitment to and satisfaction with PBB, identified as solutions to traditional budget's limitations, can be considered as essential factors to the success of the reform. The multiple organizational actors involved in PBB, committed and satisfied, should be supported by technical and managerial capacities and sound power dependencies. The

current empirical analysis is designed to explore the dynamics of the actors to find out who and how contribute to the practice of PBB, for instance, by building commitment and satisfaction and/or guaranteeing the needed capacity for action. Indeed, there are dynamics in the implementation of a practice that can say more than simply the results consequent to reforming attempts. In particular, the assumption is that different dynamics across actors can lead to change or occurrence of stability (continuity).

Individual practitioners in an organization may be the initiators of a change through their day-to-day actions paving the way to institutional changes (Smets *et al.*, 2012). At the same time, actors inside an organization may be the source of resistance to a change. The resistance to a change can lead to a situation of stability (Granlund, 2001; Hyvönen *et al.*, 2009; Rautiainen and Jarvenpää, 2012), where the intended reform of PBB is not implemented and the budgeting process does not undertake relevant changes. Actors may be resistant to changes introduced by other actors and impede them (Trader-Leigh, 2002). There may be different reasons determining resistance, and there may also be good reasons to resist (Piderit, 2000). For instance, frustration, un-readiness or intentional actions can be reasons for resistance. In addition, resistance may occur because the reform could bring values which are not shared or are in contrast with the existing values, or they can satisfy some actors while dissatisfy others. Thus, if commitment is not built and there is no shared satisfaction among the different actors, resistance will be more likely to occur. This may be caused by a lack of managerial and leadership capacity. Among the dysfunctional effects produced by resistance to the change, there is the behavior of actors gaming the system, “hitting the target and missing the point” (Bevan and Hood, 2006, p. 521). In the context of PBB, actors may tend to improve reported performance rather than promoting actual performance, making often predominant manipulating behaviors (Sohn and Bin Bae, 2017) in the attempt of impeding a real change. Indeed, between the two extremes of change and stability, different strategic responses more or less deliberate can occur (Oliver, 1991), resulting in a “grey area”.

The dynamics of different actors can interplay in this “grey area” between change and stability (Rautiainen and Jarvenpää, 2012) determining the extent to which a reform can be implemented (Figure 1). In the grey area, responses can include aspects of both change and stability, since there is not the predominance of a single response and thus space for manipulation emerges (Rautiainen and Jarvenpää, 2012). It means that the path towards the implementation of PBB can be characterized by the occurrence of some changes, which may be adopted in line with new requirements and legislative reforms, but whose implementation may be partial and limited or manipulated to achieve different purposes.

Figure 1: Actors' dynamics in the path towards PBB

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Hence, the current research analyses the role played by different actors, their dynamics and how they influence the practice of PBB, contributing to build the response(s) to this reform initiative. The different responses to the reform, ranging from its full acceptance and support to resistance, will result in the PBB implementation or lack of. Consequently, the responses will result in bringing changes, stability or a mix of both. The different actors' dynamics influence the response to PBB reform, where ambivalent answers are possible since actors can have incongruent reactions. If commitment and satisfaction with PBB, supported by the enabling dynamics, will be widespread among key actors, it will be more likely to make change occur and thus PBB fully implemented. Otherwise, resistance may occur. In the case of mixed dynamics among actors, both elements of change and resistance may be detected.

4. Research setting and method

The in-depth investigation of PBB in specific contexts, the involvement of multiple actors, and the analysis of their dynamics make the case study the most appropriate research method (Yin, 2013). The research draws upon the experiences with PBB at the central level of government in two countries well known for their long experiences with performance systems (OECD, 2013), Sweden and Finland, thus employing a multiple case study as research strategy (Stake, 2013). The case study predicts similar results (literal replication) (Yin, 2013) since Sweden and Finland are similar in terms of economic development, political, social and educational systems. Further, previous studies have demonstrated that the performance system of Nordic countries is characterized with consensus-based and bottom up processes, a high use of stakeholder model, and performance management systems used more for dialogue and learning purposes than for managerial control distinguishing a Nordic model from the more investigated Anglo-Saxon approach (Johnsen and Vakkuri, 2006; Johnsen *et al.*, 2006; van Helden and Johnsen, 2002).

In Sweden and Finland, PBB has been introduced as a component of management by objectives. The practice of PBB is expected to guide a shift in the budgeting process towards a performance-oriented approach. This approach underlines ideas, beliefs and values that can be considered the basis of a managerial archetype (Greenwood and Hinings, 1993). However, although PBB adoption has been in line with the existing managerial archetype and can thus be considered a convergent rather than radical change (Greenwood and Hinings, 1996), it has not been unproblematic since it has introduced new issues and challenges. Indeed, although its origins can be traced back to the 1990s in

both Sweden and Finland and the practice cannot be considered a new system nowadays, concerns about its use and development have endured over the years. Indeed, the change has been slow and evolutionary. Specifically, in Sweden, the Performance Budgeting Project, known by its Swedish acronym VESTA, was initiated in 1997 and added a non-financial information part to the financial one in the budget (Gustaffson, 2004; Sterck, 2007). In Finland, PBB was applied incrementally as “a budgeting method in which the preparation of the budget proposal is governed and motivated by performance targets” (Salminen and Viitala, 2006, p. 138) through a transition process since the end of the 1980s. Nowadays, intriguing questions concern whether performance information is only reported in budgeting documents – as *presentational performance budgeting* - whether it is used unsystematically – *informed performance budgeting*- or systematically – *direct performance budgeting* (Joyce, 2011; OECD, 2007), or whether it is used for internal managerial purposes – *managerial performance budgeting* (Downes *et al.*, 2017), and to what extent different kinds of performance information are used (Bleyen *et al.*, 2017).

In this context, to contribute to the understanding and explanation of PBB, the research process has undertaken a first stage, when official documents of the reform and information available on the official websites of the central organizations in both countries have been scrutinized. This data has been used to form the semi-structured and face-to-face interviews conducted in the second stage of the research process. When required, the outline of the interview has been sent to interviewees in advance. The interviews lasted from 50 minutes to 1 hour and half, and each interview has been tape-recorded, transcribed and analyzed through cyclical readings. The interviewees have been selected in light of the structure of the central government and of the main organizational sectors involved in PBB in each country. Thus, they are not identical because of the difficulties in identifying such similarities. Within these sectors, seven actors in Sweden and nine actors in Finland (see Annex 1) were interviewed. They represent similar perspectives and are key actors with reference to PBB because of their institutional role, knowledge and experience with the practice, as follows:

- *Ministry of Finance (hereafter, MoF)*. MoF is recognized as the pre-eminent ministry (Blondal *et al.*, 2002) and has a key role in the budgeting process and in the introduction and development of reforms. Therefore, advisors, budget department’s counsellors and officers have been considered key actors with reference to the practice of PBB and representative of this perspective, which has been enriched in Sweden by the involvement of experts from two agencies under MoF with a key role in the improvement of public management: The Swedish Agency for Public Management and the Swedish Financial Management Authority. These actors may account for the story of PBB and provide key insights into its implementation at the central level of government;

- *National Audit Office (hereafter, NAO)*. NAO represents an independent organization that works in affiliation with the Parliament. Among its tasks, NAO conducts performance audits and, therefore, its auditors can provide useful information on PBB's state-of-the-art. In Finland, secretaries of the Audit Committee of Parliament (hereafter, Audit Committee) joined the research in order to complement the information provided by Finnish NAO. These actors are thus expert in the field and able to provide key insights into PBB;
- *Sectoral agencies*. Sweden and Finland are characterized by an administrative model built on a strong distinction between central government administration and over 100 agencies (OECD, 2010). Therefore, the interaction between central ministries and agencies is evident and the involvement of the agencies in the research completes the picture providing insights into PBB current use. Opinions and perceptions from one agency under MoF in each country have been collected.

The actors have been asked to tell the story of PBB in their country, share their experiences and thoughts, and, since they have been involved in the reform, they have been asked to provide an account of the factors shaping the implementation process. This allowed to reconstruct and interpret in an exploratory way the role played by actors and the impact of different dynamics on the reform. Although findings may not be considered comprehensive and exhaustive because of the limited number of interviews, the analysis is designed to elaborate exploratory thoughts and develop considerations which may be useful for further investigation of PBB practice in the same or in different contexts, or for studying similar reforms in the public sector.

5. Actors' dynamics in PBB

Sweden

PBB was introduced as a rational approach within a long tradition of results-based tools aimed to address the need to overcome bureaucracy of public organizations and handle the economic decline. As said by an actor from the Agency for Public Management, "if you have a rational approach to management, you emphasize performance". This rational approach to management characterized by a performance-orientation is strongly embedded across central government administrations. Therefore, performance is not a new term. As recognized by the Agency for Public Management, "it is important to govern not only by law but also by other means", such as performance. However, although commitment to and satisfaction with the broad managerial approach seem to be widespread, the scenario changes with reference to the specific budgetary use of performance information.

"In theory, it (*PBB*) is very beautiful (...) the difficulty is in practice"

(*Agency for Public Management*)

Technical and managerial difficulties are strongly perceived by the actors interviewed and demonstrate the challenges stemming from PBB. Indeed, interviewees have questioned the impact of performance information in budgetary decision-making due to information overload and gap between the information produced for political interests and those expressing citizens'/agency's actual needs. Institutional instability in terms of recurrent political changes also affects the unsuitability of performance information to meet political priorities. Even when significant information could be derived, it is not necessarily used. For instance, information asymmetry, the low comprehensiveness of information and difficulties in benchmarking lead to *non-use* of performance information. In particular, the main challenge is represented by the lack of unidirectional and mechanical linkages between resources and results, as shown in the following quotation from MoF:

“Let's say that performance is bad. Should we remove the money from this programme? No. It could actually be that it is because you need more money for the project, or it could be that the program is not relevant at all”

Nevertheless, MoF as change leader is committed to the logic of PBB, recognizing the relevance of linking, indirectly and not mechanically, resources and targets especially for accountability purposes. MoF has guided interventions over the years and afterwards recognized the achieved improvements, as, for instance, the overcoming of the one-size-fits-all model. Accordingly, it is moderately satisfied with PBB. At the same time, MoF actors are aware that the system can be perceived as an obscure black box, discouraging its use:

“When we talk about performance budgeting system, it is very easy to get very complicated, and when you get very complicated it gets a lot of people do nothing but account for performance and this means that a lot of people are not achieving the effects we want to achieve”
(MoF)

Accordingly, its influence has not been strong enough to motivate the other key categories of actors. Indeed, differently from the MoF, the strong perception of difficulties creates dissatisfaction with the design of PBB across the other actors. Interviewees point out the complex design of PBB, considering the practice too ambitious and technocratic. Although Swedish Financial Management Authority and Agency for Public Management claim that general written principles are shared, dissatisfaction with PBB is expressed as well as negative beliefs about its implementation, as shown by the following quote:

“I have never heard government agencies or ministries mention actually there is influence on budgeting decisions”
(NAO)

According to NAO, the PBB reform has known a limited implementation across central administrations and consequently NAO has developed negative beliefs towards the reform, lowering its commitment. NAO has paid more attention to financial auditing at the expense of performance auditing and is committed to strengthen performance reporting rather than performance-based budgeting.

Further, the sectoral agency under investigation is pessimistic in its claim of difficulties in understanding the logic of PBB and guiding interpretation and budgetary use of performance information. The interviewee in fact said, “It is not always totally clear what are the reasons for changes in the budget”. PBB is not perceived to be used neither it is regarded as a necessity. Power dependencies, inappropriate managerial competencies and technical difficulties have influenced shared understanding and commitment to PBB. According to the agency, MoF is expected to pay attention to the agency’s performance, but in reality, it does not. Further, agency’s actions are strongly determined by the guide of its leader and the recent change in the top-management of the agency has paved the way to ongoing variations, which actors are not still confident with.

The information asymmetry between MoF, ministries and their agencies, in combination with the strong political influence on budget, increases the perception of power dependencies across the actors, underlining their different access to information and power. In this context, it becomes highly challenging to play the role of leader in guiding the implementation of PBB. For instance, the managerial role of Agency for Public Management is being limited by the fact that this agency is expected to provide suggestions but not to take decisions. Agency for Public Management as well as Swedish Financial Management Authority are strongly committed to focus on results, although specific commitment to PBB appears limited. The latter agency has an institutional “compulsory” commitment to financial management and, therefore, it has tried to stimulate solutions to the perceived challenges, for instance, by organizing seminars, workshops and training courses. However, the impact of these activities is difficult to evaluate.

As the empirical evidence shows, the perception of power dependencies and the dissatisfaction with PBB do not facilitate the commitment to performance budgeting, while the commitment to performance measurement, management and reporting remains stronger. This has limited PBB implementation. Indeed, as an actor from Agency for Public Management points out, PBB should be only a tool in the system of performance management. There is a “wishful thinking” around PBB, but in practice the main preoccupation seems to lie in its purpose of accountability and, consequently, in the reporting phase.

Table 1 summarizes the dynamics discussed above.

Table 1. Findings: Actors' dynamics in Sweden

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Finland

According to the initial interpretation of PBB in Finland, performance information has to play a role in justification for appropriations, since in the budget proposal submitted to Parliament, appropriations and revenues estimates are combined with proposals and indicators for performance targets. Respectively, performance information should be used to ensure ex-post accountability. However, the design of the practice lacks clear indications on interpreting performance information and linking it to resource allocation. The analysis points out that there are technical guidelines and instructions on how to include performance information in the budget but a deeper analysis of what information should be, how to interpret or use it is left undone.

“Why such kind of performance information? What is the purpose of it? And how could it be used during different steps of the budget process? I don't know, really”
(*NAO*)

Government program implementation, budget process and performance management seem separate and only loosely coupled processes resulting in division between political priorities set in the government program and the priorities set in the performance management system. Since these processes are under the responsibility of different units and actors, coordination becomes a key issue. While MoF underlines that political priorities are not reflected in the budget, Audit Committee complains about the lack of politically interesting targets. In addition, sectoral agency stresses inconsistencies between political needs and internal preferences, pointing out the problems stemming from these power dependencies. To cope with these challenges, Audit Committee states its willingness to improve coordination, demonstrating the intention to increase its role in the performance management system, with a focus on the improvement of reporting. However, although this commitment results in the attempts of Audit Committee to search for additional information, dependencies on other actors, technical and managerial difficulties, and the low commitment and interest of politicians increase its dissatisfaction with the current design of PBB and then lower its commitment.

“We must know where the money is just now and where are the targets. But we do not know it exactly because the system is not functioning”
(*Audit Committee*)

On the other side, MoF is active in trying to overcome the lack of coordination by pushing a reform designed to strengthen the harmonization across cycles. This reform can have an indirect impact on

PBB. These proposals are indications of MoF's high commitment to performance management and its continuous efforts to improve the system. However, internal differences in interests and perceptions challenges the commitment to PBB in MoF. The resilience of traditional budgetary approaches makes it even more difficult to link targets with resources, as shown by the analysis of performance agreements, which are governmental documents elaborated by ministries and agencies and expected to clarify the linkage between resources and targets.

Political influence on decisions and the scarcity of resources worsen the satisfaction with PBB across actors.

The current use of performance information is also influenced by the difficulties in analyzing and interpreting performance information. NAO and Audit Committee share similar concerns in this regard. This problem has been attempted to solve by producing numerous targets and indicators. However, the production of more information does not mean an immediate increase in the quality of performance information, as highly criticized by MoF, Audit Committee and NAO.

In light of these criticalities, NAO elaborates suggestions demonstrating commitment to the broad issue of performance, key component of its audit activities; however, specific interventions are expected from the government. In addition, NAO points out the lack of managerial competencies for action, as demonstrated by the lack of changes over the years despite all the criticisms. The following quote expresses these issues:

“I think we lack the internal dynamics, which would take this performance management to even high level. There are certain organizations or departments that think that ‘this is enough; we do not have to do more’”

(NAO)

Consequently, the type of information reported is determined by the current structure of the budget based on the administrative structure of the government rather than on the policy needs:

“It does not look like performance-related budget”

(NAO)

Further, there is a collective concern about the non-existent consequences of good or bad performance. Nevertheless, the sectoral agency has a more positive approach. Agency has streamlined the system, “the less, the better”, focusing on handling internal discussions rather than building direct linkages between resources and results. Agency is committed to PBB and is quite satisfied with it, despite of some technical and managerial issues. In addition, the satisfaction with negotiations with MoF on performance agreements of the agency strengthens agency's commitment to PBB.

Table 2 summarizes the dynamics of actors discussed above.

Table 2. Findings: Actors' dynamics in Finland

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6. Discussion

Although decades have passed since PBB was introduced in Finland and Sweden and its use appears to be above the average as defined by OECD (2013), in both contexts the practice of PBB has proved difficult over the years (Blondal *et al.*, 2002; Kuchen and Nordman, 2008). The preoccupation with measuring performance can be considered stronger than the preoccupation with using performance information in the budgeting process. This may constrain the functionality of PBB and the extent to which it can bring relevant changes.

In order to explore and explain the reasons for such context, this research has emphasized the need of taking into account the role of organizational actors investigating their internal dynamics (Greenwood and Hinings, 1996) and explaining their impact on responses to the PBB reform initiatives, which may result in change, stability or in a grey area between them (Rautiainen and Jarvenpää, 2012).

The analysis points out that commitment to performance-orientation, satisfaction with the existing performance management systems and dissatisfaction with PBB coexist, thus shrinking the tension to address PBB challenges and the commitment in implementation. The dissatisfaction with PBB is strongly determined by its founding mechanisms. Indeed, actors can be dissatisfied with traditional budgeting, and, at the same time, they can also be dissatisfied with the practice of PBB. This can be considered a consequence of their diverging interests (Argento and Van Helden, 2009).

In both the countries, NAO is dissatisfied with the practice of PBB, as well as the Audit Committee of Parliament in Finland. NAO is expected to audit performance systems and, thus, provide suggestions on how to solve identified drawbacks without intervening directly on the PBB reform. Their institutional role can explain their main interest in auditing reporting, while it shows higher difficulties in assessing the use of performance information. Its commitment to performance management is not combined with a strong commitment to PBB, since the technocratic and complex model of the reform contributes to build a climate of dissatisfaction with PBB (Greenwood and Hinings, 1996).

Differently, in both the countries, MoF is the organizational sector with higher commitment and satisfaction with PBB. This is clearly influenced by its central position in the institutional context (Greenwood and Hinings, 1996): it is expected to be interested and thus committed to the introduction of budget reforms due to its position. Nevertheless, the empirical analysis has shown that, especially in Finland, it has to handle competing interests inside (e.g. between budget department and the other

units) and outside (e.g. between itself and the other ministries and between itself and sectoral agencies), which can challenge its power to influence satisfaction and commitment of other categories. These dynamics contribute to limit the implementation and functionality of PBB in the light of the dynamics of different actors in organizational sectors and their influence on the response to the reform as a consequence of their institutional position.

Finally, the analysis of PBB in Finland and Sweden shows that sectorial governmental agencies differ in their satisfaction and commitment to the practice of PBB. The Swedish sectoral agency interviewed shows a lack of shared understanding of the reform, while the Finnish sectoral agency is quite satisfied with and committed to PBB. This can be explained in terms of two factors: the decisional power recognized to this latter agency, which has allowed it to develop a specific system to cope with the perceived difficulties, and the positive relationships with MoF, which enables the use of the reform, demonstrating the influencing role played by MoF.

The overall analysis of the dynamics of the different actors in their institutional position points out the lack of strong support to PBB that is influenced by existing power dependencies and capacities for action. This can lead to the absence of shared understanding and acceptance of the practice, contributing to the lack of widespread commitment and satisfaction. Indeed, the commitment could be eroded not only by external shocks or internal drastic changes but also by the reciprocal interaction of actors' dynamics. In this regard, the lack of widespread commitment towards PBB across actors reinforces its limited use and functionality: criticalities in practice may have been recognized, but seldom tackled with.

Performance information results to be reported in the budget documents but used unsystematically. Informal discussion and negotiations often prevail and make more difficult to understand the extent of use of performance information. The relevance of the reform intentions is recognized by actors in both the governments but the complexities deriving from the reform are more powerful, as emerged from the discussion of criticalities and challenges perceived.

In this context, it is more likely that actors tend to limit changes to implement, preferring “small changes” (*Sectoral Agency, Sweden*) and defending the state-of-the-art. A move towards direct performance budgeting, where performance information is used in order to directly influence allocation of resources, appears to be a radical change (Greenwood and Hinings, 1996), which requires the spread of suitable capacities across all actors. Findings suggest that it is not sufficient that only a few organizational actors show sound dynamics to support PBB success. The negative dynamics of some organizational actors can influence the commitment of and satisfaction of other actors. Consequently, in both cases, there is a coexistence of positive and negative responses to PBB, which determine a grey area where PBB is implemented and used partially.

Indeed, PBB adoption has brought changes in the existing performance management systems. We can mention, for instance, the introduction of new documents to elaborate and performance information to be reported. However, the limitation in producing changes in routines fully shared by actors makes the outcome of the reform a combination of elements of changes, such as the elaboration of new documents and the reporting of additional performance information, with elements of stability and continuity with the previous budgeting routines. “Change, stability and resistance are normal, regular and (intertwined) features of organizational life” (Granlund, 2001, p. 159) and indeed they co-exist in the path towards PBB, where lack of shared understanding and motivation, due to technical complexities, can be interpreted as elements of intended resistance towards PBB.

Furthermore, although the Nordic countries are characterized by bottom-up approaches to reform and trust-based systems (Johnsen and Vakkuri, 2006), the analysis of PBB has pointed out different issues. The practice is based on a top-down process of allocation of resources, where it is of utmost importance that agencies report to government what they have achieved with the budget allocated and linked to targets (Oulasvirta, 2015; Tagesson and Grossi, 2015). Accountability and control purposes appear to be predominant over dialogue and learning. In this context, trust does not appear as a predominant feature of the system, contrary to the expectations stemming from the Nordic model of performance management. As a reaction, more recently, actors have started to perceive the need to go towards the building of a more trust-based government. In this regard, it is significant to underline that politicians are now interested in new trends, as going beyond NPM to build trust-based government.

7. Conclusions

This research has explored dynamics among key organizational actors engaged in PBB to point out their impact on the response to the PBB reform initiatives, contributing to build change, stability or resistance towards it. Thus, this study has contributed to the literature on PBB by providing a new lens to understand and explain how different actors contribute to the practice of PBB. Specifically, the research has contributed to the existing body of knowledge by focusing on the role played by several different actors by highlighting their dynamics, an issue that has been under investigated (e.g. Berry and Flowers, 1999; Ridder *et al.*, 2006). In this regard, we used the concept of internal dynamics developed by Greenwood and Hinings (1996). Rather than focusing on the variations of internal dynamics within each organization (Greenwood and Hinings, 1996), this research has paid more attention to the dynamics across key actors showing how they are evident in practice. Further, the research has explored how the different dynamics of actors influence the response to the reform thus

contributing to explain whether the reform process can end up with bringing changes, stability or a combination of both (Ashworth *et al.*, 2007; Rautiainen and Jarvenpää, 2012; Trader-Leigh, 2002).

The analysis has explored two countries with long PBB experience, Sweden and Finland, with the expectation of collecting evidence on institutionalized practices. On the contrary, PBB remains as “something between the traditional budgeting and pure performance budgeting practices” (MoF, Finland). Indeed, although the long existence of PBB in both the countries and the initial big expectations, the use of performance information in the budgeting process appears limited (Grossi *et al.*, 2018). The scenario depicted shows that although the limits of traditional budgeting are recognized, this is not enough to motivate more systematic uses of performance information. The strong embeddedness of performance management systems and their good functioning can paradoxically lead to underestimate efforts needed for PBB implementation. Since the orientation towards performance management in the contexts under investigation was already institutionalized, there was the expectation that the implementation of PBB could not require revolutionary changes. On the contrary, the strength of budget routines makes PBB a radical change (Greenwood and Hinings, 1996). Further, the lack of widespread technical and managerial capacities, diffused commitment and satisfaction can complicate PBB implementation. MoF, NAO and government agencies are all key sectors playing important roles in implementing PBB, considering the radical nature of PBB change towards systematic budgetary use of performance information (Argento and van Helden, 2010). However, as showed in this research, their efforts have not always been directed in supporting PBB as a consequence of their internal dynamics. The different responses to the PBB reform have thus created a mixed scenario. From one side, elements of changes in practice exist also as a consequence of the conformity to new rules consistently with the existing performance orientation. On the other side, elements of stability occur due to the lack of widespread commitment and interest in the practice of PBB and the limited capacities in implementing the most innovative aspects of the reform.

These results pave the way to a further reflection. The possibility to implement successful PBB practices and the move towards more innovative approaches are influenced not only by the need of political support, the restructuring capabilities of managers within an organization (Ridder *et al.*, 2006), or the presence of capable champions for budget reform efforts (Berry and Flowers, 1999). They require diffused sound dynamics across organizational actors in the different sectors involved. Technical capacity has been widely recognized as a necessary element for implementing PBB. In this regard, based on our findings, a focus on the issue of simplification of procedures may help to transform the black box of complex reform initiatives into functional systems. In addition, another managerial implication is that PBB cannot live up to the expectations without a reliable and sound

network of trustful collaborations and mutual support between the different key actors. Leadership and political support are needed but they should not be limited to MoF and they should regard all the actors involved. Indeed, managerial capacities for action are required in each organization to successfully manage the transition towards relevant reforms.

Further research can deepen the analysis of the practice development by considering the dynamics influencing multiple actors characterized by intrinsic interdependencies, especially in the public sector. A practice like PBB requires in fact the coordination and collaboration among different actors throughout the budget process. Furthermore, the analysis of the implementation of public sector reforms calls for taking into account the difficulty to discern in practice between change and stability. Often intermediate scenarios created through evolutionary paths can occur. In this regard, further research can deepen the analysis of what are the (human) factors influencing specific elements of change and stability prevailing in a reform process, and whether recurrent trends can be identified across the implementation of different public sector reforms.

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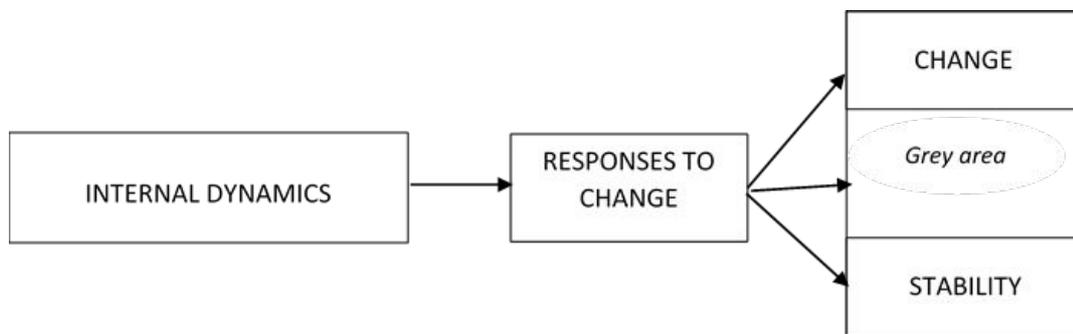
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Annex 1

Interviewee Role	Organization	Country
Senior Adviser for Finance and a collaborator	Ministry of Finance/ Human Resources and administrative policies, administration and management policy	Finland
Adviser	Ministry of Finance	
Development unit member	Ministry of Finance / Administrative governance and development department	
Committee Counsel (two interviewees)	Parliament/ Audit Committee	
Auditor	National Audit Office of Finland/ Performance Audit and Fiscal Policy Audit Department	
Director, administration	Sectoral Agency	
Head of finance unit	Sectoral Agency	
Audit department (two interviewees)	Swedish National Audit Office	
Desk officer at the Department of Finance	Ministry of Finance	
Senior Analyst	Swedish Financial Management Authority (ESV)	
A manager and an adviser	The Swedish Agency for Public Management	
Finance unit member	Sectoral Agency	

Figure 1: Actors' dynamics in the path towards PBB



Source: Own elaboration

Table 1. Findings: Actors' dynamics in Sweden

INTERNAL DYNAMICS	ACTORS' DYNAMICS			
	<i>NAO</i>	<i>MoF</i>	<i>Agency for Public Management</i>	<i>Swedish Management</i>
<i>Value commitment</i>	-Stressed relevance of output reporting -Reduced attention to performance audit <i>Commitment to performance reporting</i>	-Relevance of accountability purpose -Recognition of the importance of not mechanical results-resources linkages -Performance not the only relevant factor <i>Commitment to PBB</i>	-Need of resource use's justification -Importance of focus on results -Potential good impact on creation of an efficiency culture -Importance of prioritization during austerity <i>Commitment to performance management</i>	-Relevance purpose -Wishful th resources-r <i>Commitment to performance management</i>
<i>Interest satisfaction</i>	-Too technicalities and ambitious goals -Positive impact on evaluation growth <i>Dissatisfaction with PBB</i>	-Difficult concept -Initial introduction of a criticized one-size-fits-all approach, now overcome -Partial budgetary use of information <i>Moderate satisfaction with PBB</i>	-Good intentions but practice difficulties -Too theoretical -Ambitious design <i>Dissatisfaction with PBB design</i>	-Too technicalities -Good intentions practical di - Slow development <i>Dissatisfaction with PBB design</i>
<i>Power dependencies</i>	-Information asymmetry -Agency's lack of information disclosure - Strong political influence	-Separation of responsibility and authority -Need of control through reporting	-Information asymmetry -Influence of politics	-Relevance behaviours - Prevalence decisions
<i>Technical and managerial competencies</i>	- Dependence on top managers' decisions -Lack of indications <i>Not widespread</i>	-Good communication systems -Risk of information overload <i>Varying scenario</i>	-Measurement and benchmarking difficulties -Political influence on agency's managerial role <i>Not widespread</i>	- Low quality - Attempts <i>Not widespread</i>

Table 2. Findings: Actors' dynamics in Finland

INTERNAL DYNAMICS	ACTORS' DYNAMICS		
	<i>NAO</i>	<i>Audit Committee of Parliament</i>	<i>MoF</i>
<i>Value commitment</i>	<ul style="list-style-type: none"> -Relevance of performance -Need of performance data and research <p><i>Commitment to performance management</i></p>	<ul style="list-style-type: none"> - Crucial role of politically interesting targets - Recognition of Parliament's role in performance management system <p><i>Commitment to performance management system</i></p>	<ul style="list-style-type: none"> - Commitment to performance management and performance budgeting, adapted to public logic, vs. commitment to existing approaches -Continuous efforts to develop system <p><i>Competitive commitment to</i></p>
<i>Interest satisfaction</i>	<ul style="list-style-type: none"> - Unchanged budget - Abundance of not used information - Difficult textbook model <p><i>Dissatisfaction with PBB</i></p>	<ul style="list-style-type: none"> - Dissatisfaction with traditional detailed budget - Description rather than assessment of results -Useless information <p><i>Dissatisfaction with PBB</i></p>	<ul style="list-style-type: none"> - Previous system's replacement not enough changes - "Untouchable budget" <p><i>Moderate satisfaction with I</i></p>
<i>Power dependencies</i>	<ul style="list-style-type: none"> - Success of the practice depending on actors' different interests - Resistance of some actors or lack of interest 	<ul style="list-style-type: none"> - Information asymmetry - Need of strengthening collaboration 	<ul style="list-style-type: none"> - Distance in interests and power inside and outside the MoF
<i>Technical and managerial competencies</i>	<ul style="list-style-type: none"> - No central government support unit - 'Conceptual mess' - Scattered information - Lack of policy evaluation <p><i>Not widespread</i></p>	<ul style="list-style-type: none"> - Lack of right information - Need of improving dialogue and of more informed people <p><i>Not widespread</i></p>	<ul style="list-style-type: none"> -Documents not suitable for dialogue - Need of rethinking documentation processes - "Soft way" to promote the <p><i>Not strong enough</i></p>