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# Accounting technologies and new public management: a field study in a NSW public school

Jonathan Laurence Hynes Halloran  
*University of Wollongong, [jhallora@uow.edu.au](mailto:jhallora@uow.edu.au)*

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# **Accounting Technologies and New Public Management: A Field Study in a NSW Public School**

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A thesis submitted in fulfilment of the requirements of the Degree of

**Master of Accountancy – Research**

from

**University of Wollongong**

by

**Jonathan Laurence Hynes Halloran**

School of Accounting, Economics and Finance

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## Abstract

This study investigates the use of and changes to accounting technologies in the context of New Public Management (NPM). This principled approach to public management has placed great emphasis on business style practices with the enduring goal of getting public sector organisations to run more efficiently, effectively and with greater accountability. NPM has been a pervasive agenda for public sector organisations, particularly in western democracies, and has therefore been subject to significant academic and professional scrutiny. The investigation of NPM rationales in practice has revealed discrepancies between intended and actual outcomes and has exposed differing rhetorical stances (cf. Bisman 2008; Broadbent and Laughlin 1997; Christenson and Laergreid 2001; Dixon 1996; Edwards and Ezzamel 1995; Falconer 2006; Guthrie et al 2003; Lapsley 2008, 2009; Mir and Rahaman 2006; Pollitt 2000). This study therefore seeks to investigate whether similar dissonance exists in the context of a reforming education sector in the Australian state of New South Wales (NSW), a contemporaneous context which, although highly topical, has not been the subject of significant accounting research. In so doing, the study attempts to identify/investigate contextual factors and the antecedents of NPM, many of which surfaced during the reforming era of Australian public administration in the late 1980s and early 1990s. It will be shown that NPM contrasts greatly with the previous approach to public administration known as ‘modern bureaucracy’.

From a methodological perspective, the study emanates from a constructivist ontological foundation, thus the subject of social inquiry is acknowledged to possess contextual specificity. Accounting technologies are regarded as purposive devices capable of guiding social action and defining the roles of the various actors present in the researched organisation. The philosophical and theoretical underpinnings tethered to this ontological foundation reinforce the methodological framework for the study. Qualitative field research was selected to gain a better understanding of the phenomena in question. One NSW public school was selected for conducting the field research in order to substantiate the convincing arguments of the study. Research conducted in the field consisted primarily of interviews with relevant school staff members as well as from the researcher’s individual observations and the use of archival.

It is found that, though the researched organisation eschewed many NPM principles in favour of a more traditional approach, recent reforms have impressed significant changes to accounting technologies such as *devolved budgeting*, *the introduction of an enterprise resource planning system* and *the future transition to accrual accounting*. This has expanded the role of the key players within the organisation. It has been envisaged that NPM has created *new visibilities* including a more *parsimonious approach* to human resource management. In addition, it appears that traditional values such as *stewardship* and a focus on the student are potentially diluted by a more salient agenda focussed on the optimisation of administrative function and the discharge of formal and informal accountability to constituents. Furthermore, it is argued reflexively that the application of NPM in the NSW education sector is yet to be fully adapted and implemented in order to achieve its maximum potential thrust.

## **Thesis Certification**

I, Jonathan Laurence Hynes Halloran, declare that this thesis, submitted in fulfilment of the requirements for the award Master of Accountancy by Research in the School of Accounting, Economics and Finance at the University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. I further certify that this thesis has not been submitted for the requirements of another degree at any other academic institution.

Signed: \_\_\_\_\_

Jonathan Laurence Hynes Halloran

Date: \_\_\_\_\_

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## Table of Contents

### Contents

Abstract .....	i
Thesis Certification .....	ii
Acknowledgements .....	iii
Table of Contents .....	iv
List of Figures .....	vii
List of Tables .....	viii
List of Abbreviations .....	ix
Chapter 1 .....	1
Introduction .....	1
Chapter 2 .....	9
Background and Context .....	9
2.1 Introduction .....	9
2.2 Australian Governments: Commonwealth and State .....	10
2.2.1 The Structure of the Commonwealth Government of Australia .....	12
2.2.2 The Structure of the NSW State Government .....	16
2.2.3 The APS and the General Government Sector – A Contrast with Business .....	22
2.2.4 Policy Implications in the GGS .....	27
2.3 Setting of the Study .....	30
2.3.1 The Department of Education and Communities .....	31
2.4 Reforms through the Budgetary Lens .....	37
2.5 Conclusion .....	40
Chapter 3 .....	42
Government Teleology and Reform .....	42
3.1 Introduction .....	42
3.2 Government Teleology – Three Perspectives .....	45
3.2.1 Plato’s Idealism .....	45
3.2.2 Hobbes’ Pessimism .....	50
3.2.3 Locke’s Optimism .....	51
3.2.4 Administrative reform over government teleology .....	52
3.3 Bureaucracy and Modern Government .....	53

3.4 Towards a Managerialist Ethos .....	59
3.4.1 Reforms in the UK: The Financial Management Initiative and Next Steps .....	60
3.4.2 Reforms in Australia – The Financial Management Improvement Program and The National Competition Policy .....	65
3.5 Recommendations and Reforms in Australian and NSW Public Schools, 2007 - 2013 .....	71
3.5.1 The Gonski Report.....	72
3.5.2 Empowering Local Schools National Partnership.....	75
3.5.3 Local Schools, Local Decisions.....	77
3.5.4 The Learning Management and Business Reform Program.....	81
3.6 Conclusion.....	83
Chapter 4.....	85
NPM Antecedents and Literature Review .....	85
4.1 Introduction .....	85
4.2 The New Public Management .....	85
4.3 NPM Literature .....	89
4.3.1 Public Sector Inefficiency .....	90
4.3.2 International Studies on NPM .....	94
4.3.3 Australian Studies in NPM .....	109
4.4 Conclusion.....	117
Chapter 5 .....	120
Theoretical Underpinnings and Methodological Overview.....	120
5.1 Introduction .....	120
5.2 Introducing the Researched Organisation .....	122
5.2.1 The Research Site – A NSW Government Secondary School .....	123
5.2.2 School Annual Reports .....	125
5.3 Research Design.....	128
5.4 Philosophical Underpinnings .....	132
5.4.1 Sociological Research Paradigms.....	135
5.5 Method of Inquiry .....	144
5.5.1 Strategies in Qualitative Research.....	144
5.5.2 Phase One .....	148
5.5.3 Phase Two .....	150
5.6 Methodical Notes .....	151
5.6.1 Interviews and Data Collection .....	152

5.6.2 Ethics and Reflexivity .....	154
5.7 Conclusion.....	157
Chapter 6.....	159
Accounting Technologies and NPM in NSW Public Schools .....	159
6.1 Introduction .....	159
6.2 Budgeting Practices at NSW Public Schools .....	160
6.2.1 Budgetary Processes .....	162
6.2.3 Devolution of Budgetary Responsibility .....	176
6.2.4 NPM: Creating New Visibilities in NSW Public Schools.....	185
6.3 Accounting Systems at NSW Public Schools .....	192
6.4 Conclusion.....	197
Chapter 7.....	200
Convincing Arguments; Summary and Conclusion .....	200
7.1 Introduction .....	200
7.2 Theoretical Framework – Giddens’ Theory of Structuration.....	200
7.3 Reflection on Methodological Applicability .....	203
7.4 Reflection on Good NPM Practices and Forthcoming NPM Changes in NSW Public Schools .....	208
7.5 Reflection on the Use of Accrual Accounting .....	210
7.5 Future Research.....	213
7.6 Summary and conclusions:.....	217
References.....	223
Extended Bibliography .....	251
Appendix 2A: NSW Budgeted Revenues, 2011-12 and 2012-13.....	252
Appendix 2B: NSW Budgeted Expenses, 2011-12 and 2012-13 .....	254
Appendix 2C: NSW Budget, 2012-13, GGS Operating Statement .....	258
Appendix 5A: SERAP Documents .....	259
Appendix 5B: Transcription from the Second Interview, 25/5/2012 (Censored).....	262

## List of Figures

- 2.1 Structure of the Commonwealth Government of Australia
- 2.2 Lines of Accountability in the NSW Public Sector
- 2.3 Employee Expenses Growth
- 2.4 NSW Government Budget Position 2012-13
- 5.1 Research Process in this Thesis
- 5.2 Philosophical Foundations of Research
- 5.3 Philosophical Foundations of this Research
- 5.4 Classification of Research Paradigms
- 6.1 Budgetary Processes at NSW Public Schools
- 7.1 Future Studies in the Performance of NSW Public Schools

## List of Tables

- 2.1 Core Values in the Department of Education and Communities
- 2.2 DEC Objectives and Priority Outcomes
- 3.1 The Three Forms of Legitimate Authority
- 3.2 Six Principles of Weber's Ideal Bureaucracy
- 3.3 Principles for a National Competition Policy
- 4.1 The Doctrinal Elements of NPM
- 5.1 Participants in the Field
- 6.1 Budgeting Records Maintained at NSW Public Schools

## List of Abbreviations

<b>ABS</b>	Australian Bureau of Statistics
<b>ACT</b>	Australian Capital Territory
<b>AOB</b>	Accrual Output Budgeting
<b>APS</b>	Australian Public Sector
<b>DEC</b>	Department of Education and Communities
<b>DET</b>	Department of Education and Training
<b>ELSNP</b>	Empowering Local Schools National Partnership
<b>FMI</b>	Financial Management Initiative
<b>FMIP</b>	Financial Management Improvement Program
<b>GFS</b>	Accrual Government Finance Statistics Reporting Framework
<b>GGS</b>	General Government Sector
<b>LMBR</b>	Learning Management Business Review Program
<b>LMS</b>	Local Management of Schools
<b>LSLD</b>	Local Schools, Local Decisions
<b>NAPLAN</b>	National Assessment Program – Literacy and Numeracy
<b>NPFM</b>	New Public Financial Management
<b>NPM</b>	New Public Management
<b>NSWTF</b>	NSW Teachers’ Federation
<b>OASIS</b>	Office Automation and School Information System
<b>PFC</b>	Public Financial Corporations
<b>PNFC</b>	Public Non-Financial Corporations
<b>SAM</b>	School Administration Manager
<b>SAP</b>	Systems Applications and Products
<b>SERAP</b>	State Education Research Approval Process

## **Chapter 1**

### **Introduction**

Administrative systems in the Australian public sector have undergone significant changes over the last three decades. In particular, traditional approaches to public administration, which stressed probity and fairness, have waned in response to neo-liberal forces which place greater emphasis on market mechanisms and efficiency. This broad shift represents not only a cultural reorientation within the Australian Public Service (APS) but has also precipitated changes to accounting technologies, accountability relationships and the perceived role of the Australian public servant. Like other developed countries that have experienced similar reforms, the provenance of this new approach is traceable to New Public Management (NPM). This doctrinal approach, which emphasises a transition from public administration to public 'management', presents itself as a strategic panacea offering a uniform economic model of governance as a solution to the inefficiencies of modern bureaucracy.

NPM reforms and the subsequent 'accountingization' (Power and Laughlin 1992) of the public sector are often assumed or promised to be the soundest conceptual base for reforming governments but there is scant documentation that supports this view. Instead, many have argued that NPM represents a potent rhetorical device whose usability has not yet been assuaged by interested onlookers. Therefore, governments have been allowed to travel the path of easiest expedience by applying NPM tenets. The ramified consequences of this reform schedule are benign for neither the accounting technologies in play nor the public servants' roles.

This thesis examines the antecedents of NPM that emerged during the late 1980s and early 1990s and investigates specific instances of reform, changes to public sector accountability and accounting technologies, and the creation of new accounting visibilities. The study emanates from a constructivist ontological foundation, hence the subject of social enquiry is

acknowledged to possess contextual specificity. The study is situated in the Australian state of NSW where schools run by government are currently undergoing significant reform. One regional school is selected as a context for the study. When viewed through the constructivist lens, reforms can be seen not merely as the ambivalent arbiter of economic reality but as purposeful devices used to achieve either political ends or ideological agendas. In this thesis, the paradoxical nature of public service in Australia is highlighted by demonstrating that the goals of NPM reforms align more closely with the goals of the business sector. For example, public organisations that were previously attuned to service delivery and the stewardship of resources have now geared themselves towards bottom line thinking. Bottom line thinking does not warrant critique of public sector scruples in and of itself but does initiate a line of questioning that asks whether NPM contributes to the way we would like the world to be. This study draws from the alternate research paradigm within accounting academia and uses a qualitative and field based approach to inquiry to examine the ramified consequences of these reforms. Although there have been similar educational reformations associated with NPM and studies conducted in other countries such as the UK, to date there is a paucity of research into the Australian and specifically the NSW contexts. One reason for this absence is that NSW has lagged other governments in its uptake of NPM in public schools. For instance, the use of cash accounting and the centralised structure in education, two features due for reform, are indicative of the contrasting traditional approach to public service. Recent reforms have, however, created a renewed impetus towards NPM in this context.

This thesis contains six other chapters. In *Chapter Two*, a background and context of the study is elucidated. This background chapter delineates the structure of Australian governments which contributes to an understanding of the nature of the accountability relationship between the government, government departments, public sector organisations and the constituency. The second chapter also provides an elaboration of the public sector

and establishes that significant differences exist between the private and public sectors. It is noted that the dilution of the goals of public sector organisations, which are deemed essential to the wellbeing of society, represents a potentially anachronistic agenda. This is accomplished by examining the nature of public goods and merit goods which share non-rival and non-excludable characteristics. Public education is established as being an entrenched merit good. The context of the study is further clarified by establishing that the state government oversees the financial management of schools and by examining the government department most closely tied to the researched organisation. The government department that oversees the financial management of NSW public schools changed from the Department of Education and Training (DET) to the Department of Education and Communities (DEC) with the election of the Liberal Party of Australia in 2011. It is noted that the DEC adopted many of the previous policies and objectives of the DET and an examination of the department's priority outcomes and objectives, sourced from the previous department, further illustrates fundamental differences between the private and public sectors. Finally, government reforms are viewed through the budgetary lens. The NSW state budget illustrates that the current government has set an economic mandate focussed on restraining government spending and recovering NSW's AAA rating. Given the economic context in NSW it is unsurprising then that NSW public schools have begun to focus more on efficiency.

***Chapter Three*** examines the teleological foundations of government in connection with the more salient debate surrounding the optimisation of administrative function. Three normative theories of government are presented and illustrate that one's conception of the most appropriate form of government is dependent upon historically situated spatio-temporal and theoretical contexts. It is argued that philosophical debate on teleology moved to the background as governments around the world came to focus more on efficiency and less on probity. Further discussion illustrates how government administration prior to NPM adhered

to the tenets of Max Weber's depiction of the ideal type bureaucracy. The bureaucratic form is elucidated to provide contrast between old and new approaches to government administration. Before outlining the nature and characteristics of NPM in Chapter Four, reforms in the UK and Australia that laid the foundation for NPM reforms are discussed. In particular, the Financial Management Initiative (FMI) in the UK and the Financial Management Improvement Program (FMIP) in Australia are identified as being instrumental in bringing a managerialist ethos to the fore in these democratic nations. Finally, Chapter Three outlines the most prominent reforms in the context of public education in NSW. This review illustrates that the goals of the state and federal education reform packages align with the previously established goals of the state government and demonstrate that the seeds of NPM have begun germinating in NSW public schools.

**Chapter Four** presents an outline of the doctrinal elements of NPM and situates this approach to public management at the forefront of recent Australian public administrative initiatives. The elements of NPM presented in this thesis are adapted from Hood's (1991, 1995) descriptive and analytical work. The current definition of NPM contrasts greatly with previous approaches to public administration. Indeed, it is shown that most of the tenets of Weber's ideal type bureaucracy have been reversed. What remains, tenets such as extensive documentation and merit based employment, are deemed to be imperative remnants of a just and democratic society. NPM is established as the overarching theme of this study and the doctrinal elements allow the researcher to present the findings in an analytical and informative way. Chapter Four also presents a review of literature of prior studies on government efficiency and NPM. This review was a necessary step in order to bind the work of others with this thesis, develop more insightful questions about the topic and substantiate findings in Chapters Six and Seven. The review of literature is separated into three sections. The first section reviews literature on government (in)efficiency and countervailing literature

which provides strong advocacy for new approaches to public administration. The second section reviews international literature related to NPM. The third section reviews Australian literature related to NPM. The second and third sections of the literature review concentrate on articles most closely tied to the context of the study and methodological approach used in this thesis. Thus, scholarly work focussed on financial management in public education using a qualitative empirical basis is prominent. The review of literature indicates that there is great interest in the application of NPM technologies in Australian and international literature but few studies exist that examine the impacts of accounting changes. Humphrey and Miller (2012) noted that the goal of the modern researcher should be to understand what happens when the calculable and rational models of accountable management are applied in an inconsistent, contradictory and paradoxical public sector environment. The research questions formulated in this thesis represent an extension towards this end.

***Chapter Five*** traces the philosophical underpinnings and presents a methodological overview of this research. It is established that this study eschews the realist ontological assumption adopted in the mainstream approach to accounting research. Justification for using the alternate approach stems from an analysis of context and scholarly work that demonstrates the socially constructed nature of accounting, the major upshot being that accounting reforms in public education are not merely the result of rational models of economic efficiency but are contextual instances of individual or institutional pressures. It is demonstrated that the selection of an appropriate method for conducting research, in this case field research approach, flows logically from the social constructivist ontological assumption. Chapter Five also outlines the setting, research issues and questions in this study. A two stage research design is explicated using field research as a basis of inquiry. The use of a single case study is justified as the present study is concerned with the in-depth exploration of a particular phenomenon, in this case accounting change at one public sector organisation. Whilst the

foundations of this study emanate from a subjective basis and the belief that multiple realities may exist in a given situation, the importance of the observations is not diminished. Justification for this type of study is discussed. Furthermore, it is noted that one of the main purposes of this study is to provide voices to those who are often silenced during a reformation process and report on and interpret these findings to better guide policy formation in the future. The chapter also outlines how the data was collected for the study. Finally, methodical notes on ethics, reflexivity and interviews are provided.

**Chapter Six** is the primary analytical chapter in this thesis and proceeds with pragmatic and interpretive tendencies. Data accumulated in the field is used to substantiate many of the findings in this chapter. The chapter begins by examining current budgeting practices at NSW public schools and depicts current practices as augmentative devices for planning, control and stewardship. Thus it is determined that budgetary processes at the researched organisation marry up with the traditional approach to public service which focuses on budgetary compliance, stewardship, equitable treatment and a keen focus on the consumers of public services. This initial analysis illustrates that accounting technologies at the researched organisation possess limited propinquity with the principled approaches to public administration espoused by NPM. Nonetheless, further analysis of education reforms indicates that the devolution of budgetary responsibility represents a serious attempt to instil features of NPM within NSW public schools. It is noted that, whilst the change in quantum of monetary responsibility will be significant, a more crucial issue relates to the changing nature of the school principal's role and subsequent changes to what he or she is held accountable for. It is argued that the form of accountability has transferred from one that encompasses stewardship of resources and service delivery to one that emphasises formal accountability in text with subsequent focus on accounting numbers. Data from the field suggest that those involved in financial management at the researched school see this change as both a

hindrance and a necessity. Further analysis of devolved budgeting practices illustrates that several new visibilities have been created including choice of appropriate staffing mix, emphasis on strategic management and competition and a renewed focus on performance metrics. The latter of these visibilities has elevated the role of accounting from that of a stewardship mechanism to a facilitator of numerical and monetary performance measurement. Chapter Six also presents a contrast between the old and new accounting system at NSW public schools. Findings in this section support the view that the traditional role of the public servant can no longer be maintained, however greater efficiencies resulting from the installation of the enterprise resource planning system (viz., SAP), may allow schools to redirect resources to much needed areas such as capital projects and maintenance. Lastly, it is noted that the introduction of the SAP system will ensure that schools will transition from cash based accounting to an accrual basis. The use of accrual accounting in public schools is examined reflexively in the last chapter.

*Chapter Seven* is the last chapter in this thesis. It presents reflexive arguments on the possibility of a theoretical interpretation, methodological applicability, beneficial and forthcoming NPM practices at NSW public schools and the use of accrual accounting. For the duration of this thesis a sociological aspect was intended to link changes to accounting technologies with interested stakeholders in society. This theoretical interpretation could be conducted using Anthony Giddens' theory of structuration. It is noted in Chapter Seven that the possibility of this theoretical interpretation is limited by time and space constraints but the use of Giddens' theory may be valuable for those interested in pursuing similar studies. This is particularly so for researchers keen on applying the alternate approach to accounting research since the social constructivist's ontological perspective marries up conveniently with Giddens' own presuppositions. Chapter Seven also discusses avenues for future research. Of particular interest is the possibility of a social dimension for use in assessing the overall

performance of public schools. This social dimension is presented as a theme throughout but in this study is relegated to a descriptive facet of accounting change at the researched organisation. The chapter also summarises the work conducted in this thesis.

In conclusion, it will be shown that public schools in NSW are undergoing significant and far reaching changes. As consumers of this public service, it is incumbent upon the constituency to ask pressing questions about the effectiveness and efficacy of the educational and farther reaching reform schedules. The current study is an extension towards this end. It contributes to the contextual richness of the quandary and demonstrates how NPM and accounting technologies are applied in practice thereby offering policy makers, scholars and other practitioners with the grounds for critique and evaluation. Findings from the field have exposed discordance between the goals of reformers and the vocational orientation of public servants at the researched school. It is far from definitive whether recent reforms will have the desired effect on the wellbeing of society. Within this thesis there are both positive and negative examples of the impacts, both potential and realised, of NPM practices. The primary positive stemming from recent reforms appears to be the mandate coupled with the technological means to achieve greater efficiency. Greater efficiency can allow an organisation such as a public school to redirect resources to other much needed areas – a logical argument that no doubt warms the cockles of the reformist advocates. Nonetheless, the negative impacts may be far reaching. This thesis examines the potentialities arising from significant education reforms.

## **Chapter 2**

### **Background and Context**

#### **2.1 Introduction**

Accounting is often seen as an objective practice, free from bias and a neutral arbiter of economic realities. To date much accounting research has reflected this perspective (Broadbent and Guthrie 1992; Humphrey and Miller 2012). The tenets to which this type of accounting research adheres can be traced to modernist philosophical thought and traditional empiricism and it is upon these Enlightenment ideals that a great deal of contemporary accounting knowledge has been built (Gaffikin 2008). However, the construction of such knowledge has led us to question its foundations. Many have argued against positivist tenets indicating that there is no place for a view that reduces accounting practices to an epistemically justifiable game of numbers (Funnell 1998; Arrington and Francis 1989). When viewed through a deconstructivist lens, accounting appears as a stultifying endeavour where the “passive tool of economic efficiency” is replaced by a “complex web of economic, political and accidental co-occurrences” (Arrington and Francis 1989, p 2). Thus Hopwood (1983, 1985a) and Burchell et al (1980) argued that, to progress our knowledge, accounting must be treated as a subject of social inquiry which is imbued with meaning and, as with all meaning, must be grounded in a context. To appreciate the frailty of the positivist tradition in accounting is to acknowledge that the subject of social inquiry contains contextual specificity.

The context selected for this study is a reforming public sector in the Australian state of NSW. This study will drill down into a more localised organisational environment where the impacts of public sector reform are impressed. The organisational emphasis provides a desirable contextual focus (Burchell et al 1980; Hopwood 1983; Roberts and Scapens 1985) and the examination of localised practices of accounting is beneficial to those interested in

steering accounting reform in the right direction (Hopwood 1984). Whilst accounting developments have been pervasive throughout the public sector (Broadbent and Guthrie 1992; Guthrie and Olson 1999; Bogdanor 2001; Jackson and Lapsley 2003; Barton 2009), the intent in this chapter is to narrow the focus and detail the governmental and institutional arrangements that are deemed relevant to the study. Thus the aim of this chapter is to provide an overview of the structure of government and illustrate the complexities involved in defining the public sector and public sector accountability. The chapter will also elucidate a setting for the study by describing the government department most closely tied to the research.

The chapter proceeds as follows. Section 2.2 outlines the structure of Australian governments (both federal and state) and lines of accountability therein. A definition of the Australian Public Sector (APS) and public sector accountability is also provided. This section concludes with a brief analysis of the policy implications arising from differences between three segments of the NSW public sector. Section 2.3 drills down into the broader context of government and the public sector by examining the government department which oversees operations at NSW public schools. This section also includes a brief discussion of the policy implications arising from an examination of the department's core values. In section 2.4, NSW government reforms are viewed through a budgetary lens. The NSW state budget is the primary mechanism by which this government outlines its operations for the coming period and is therefore an important document for discharging its accountability to the constituency. The budget for 2011-12 is briefly described and significant stakeholders are identified. Section 2.5 concludes the chapter.

## **2.2 Australian Governments: Commonwealth and State**

The history of Australian government is rich, drawing primarily from its roots in the motherland, Great Britain, but also adopting elements from the USA as well as uniquely

Australian facets (Bennett 2006). There are three tiers of government: federal (also known as the Commonwealth), state and local. There are six separate state governments, including NSW, and two governed territories – the Australian Capital Territory (ACT) and the Northern Territory. The federal government extends control over the remaining internal territory, Jervis Bay Territory, and all other external territories. As of November 2013 there were 565 local governing bodies throughout Australia (Department of Infrastructure and Regional Development 2013). Although NPM doctrines and associated accounting reforms are applicable at the local government tier (Funnell et al 2012), this study does not concern itself with the underlying structures of this level of government because, with respect to public education, the management of public funds and lines of accountability end at the middle tier – the state.

At the federal and state level there are several underlying principles and structures upon which ‘responsible government’ rests. Despite differences in the nomenclature relating to these two tiers of government, and dissimilar structures with regard to the state of Queensland and the two territories, the principles are common. Therefore, any insight gained via discussion of these principles is assumed to be transferable between the federal and state levels. These principles are outlined in the proceeding section.

Somewhat surprisingly, developments at the state level, particularly NSW, predate those at the federal. Moreover, many of these democratic mechanisms which evolved from colonial experience were exported back to Britain. However, whilst history is replete with discussion of the top-down influence and application of British ideas of good governance, little consideration has been granted to the impact of cross-colonial learning (Simms 2006). This cursory portrayal is not intended to diminish the significance of the Westminster influence but only to show that the NSW government has been at the forefront of democratic and practical initiative since its beginnings in 1856. The boldness of the NSW government

initiatives and their antipodean impact represents an existing historical question and presents grounds for future research.

### **2.2.1 The Structure of the Commonwealth Government of Australia**

Australia is a constitutional monarchy. It is a nation established under a written constitution and headed by a monarch, currently Queen Elizabeth II. The Queen's viceroy, the governor-general, would appear to be the most influential political figure. The current governor general and first female to hold this position is Quentin Bryce. All political decisions, the most significant of which derive from council with the Executive, the Prime Minister and other ministers, require the consent of this individual. However, the practicalities of this role have devolved over a 1000 year transition from absolute to constitutional monarchy and although some significant power still resides with this individual, the role is now essentially perfunctory.

State and federal governments in Australia are comprised of three cardinal components, the interaction of which collectively gives meaning to the term 'responsible government'. These three 'arms' maintain distinct roles. They are defined in the Constitution Act (1900) as: The Parliament (Chapter 1); The Executive Government (Chapter 2); and The Judicature (Chapter 3), more commonly referred to as the legislature or Parliament, the Executive<sup>1</sup> and the Judiciary. The existence of these three arms and the various roles they perform are fundamental to the modern democratic style of government. Parliament exists to make laws, the Executive implements these laws and the Judiciary interprets and upholds the laws.

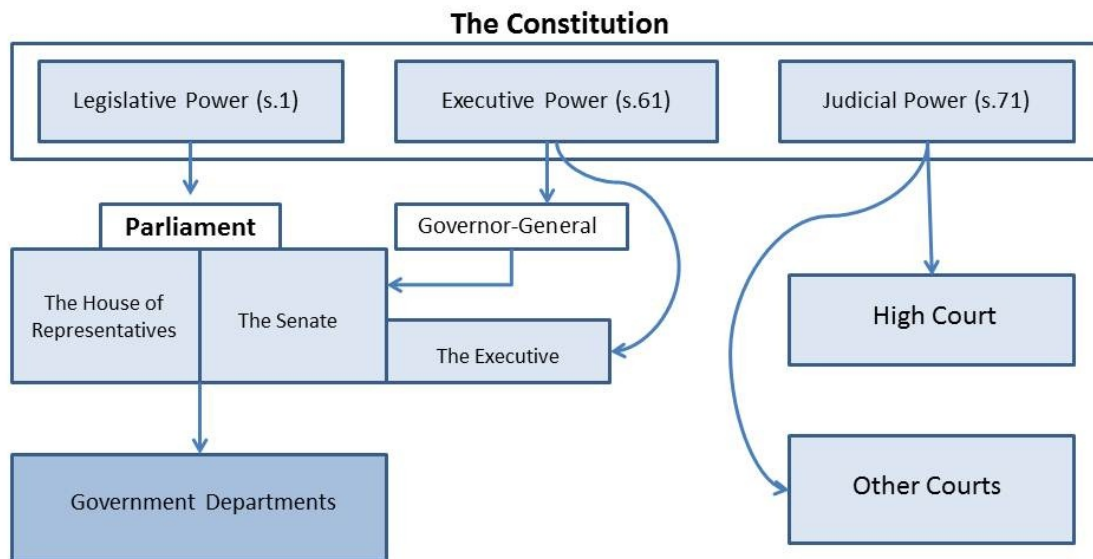
Governments in Australia, with the exception of the Queensland state government and the two internal governed territories, are comprised of bicameral Parliaments (i.e. legislatures

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<sup>1</sup> The Executive arm of government is often referred to merely as 'government', however for the purposes of this research the term 'government' will refer more broadly to the body that initiates, implements and enforces legislation thus comprising all three elements.

consisting of two chambers or houses). The Australian Federal Parliament is made up of a lower house called the ‘House of Representatives’ and an upper house known as the ‘Senate’. The Prime Minister, the treasurer and other members of the Prime Minister’s cabinet that preside over the various government departments and comprise the Executive are not restricted to which house they sit, however expediency and constitutional obligations ensure that they sit in the lower house. The Judiciary is comprised of the High Court and various other federal courts. Commonwealth government also consists of various departments, commissions, boards and statutory authorities. Figure 2.1 depicts the structure of the government at the Commonwealth level.

**Figure 2.1: Structure of the Commonwealth Government of Australia**



In Australia, the powers which are ‘vested in’ each arm of government (Constitution Act 1900, ss. 1, 61, 71) are theoretically elemental and distinct from one another, however the separation of legislative from executive power is the source of much political debate. Parliament is endowed with legislative power which is defined as the “authority under the

constitution to make laws and alter or repeal them” (The Free Legal Dictionary 2012). Power then resides in the Ministry of the Executive which implements these laws. In Westminster governments, controversy arises because the notion of responsible government ensures that, unlike USA, the Executive is drawn directly from Parliament. Because the Executive sits in the lower house where one political party has been voted into office, the policies of that party are practically assured because of the existence of strong party discipline (where the convictions of elected representatives sitting in the Upper House align with those of the Lower House). This means that the Executive operates at the vanguard of accountability and ‘responsible government’ then becomes a matter of trust in our elected representatives (Chisolm and Nettheim 1974). The members of the lower house therefore wield significant authority by convention. Fortunately, the elected party in the lower house rarely gains a majority in the upper house. Nonetheless, the upper houses of Parliament, particularly those of the Commonwealth and NSW, are the source of much friction and political debate. The Executive must often compromise with the upper house to have their policies passed.

The High court in *Egan vs Willis* (1998) recently reflected on the vital role of the upper house in holding the Executive accountable for their actions. This case concerned the powers of the NSW Legislative Council to demand documentation from the lower house. In hearing this case, the High Court gave clarity to the meaning of the term ‘responsible government’:

“If it (The Legislative Council) is to carry out one of the primary functions of a legislative chamber under the Westminster system, it must be entitled to seek information concerning the administration of public affairs and finances. The legislative Council is not, as Queen Elizabeth the First thought the House of Commons was, a chamber that merely says ‘Aye or No’ to bills presented to it. It is an essential part of a legislature which operates under a system of responsible government” (at 99-100).

The existence of two houses therefore sets a tone where the party in opposition is able to cast its shadow over the actions of the Executive. This system works effectively in a strong democratic society but it nevertheless goes against the principles laid out by John Stuart Mill who envisaged Parliament as the watch dog of the Executive. The purpose of this distinction is clear in a government that obtains majority in both upper and lower chambers. The last time this happened was in John Howard's fourth term as Prime Minister. During his tenure a controversial bill, known as 'Work Choices', was introduced. This bill was met with fierce opposition from unions and the opposing party who, despite vehement reproach, were unable to influence its implementation. This policy is argued to be a contributing factor to this Minister's eventual downfall – a satisfying moment for democracy where ultimate power rests with the people. Thus while the Westminster model restricts relationships of accountability between the Executive and Parliament, if the actions of government run contrary to the unwritten 'social contract' the constituency will resolve to remove that authority at the next election. For Mill however, these acts may have progressed needlessly as he deemed it to be Parliament's role, as well as maintaining legislative power, to:

“...watch and control the government; to throw light of publicity on its acts; to compel a full exposition and justification of all of them which any considers questionable; to censure them if found condemnable, and, if the men who compose the government abuse their trust, or fulfil it in a manner which conflicts with the deliberate sense of the nation, to expel them from office” (Mill in Funnel et al 2012, p31)

Parliament can throw the 'light of publicity' on the Executive's acts by three mechanisms. Firstly, Parliament can utilise *official documentation* sourced via accounting information systems. This category includes annual reports and official Budget Papers. Secondly, *Parliamentary Committees* such as General Purpose Standing Committees and the Public Accounts Committee (PAC) are able to shed light on the actions of government in specific

areas. Thirdly, *independent organisations* such as the Auditor-General's office can be called on to assess whether the Executive has effectively discharged its accountability.

The specific areas of legislative power granted to the federal government are outlined in Part V of the Australian Constitution and include areas such as taxation, defence and foreign affairs. As previously mentioned, although Australian territories are governed independently like the states, the federal government also possesses the ability to make laws for them (Constitution Act 1900, s. 122). The states retain all other legislative power over matters such as education, health, police and public transport. In the scenario of conflicting or overlapping powers, the laws enacted by the Commonwealth take precedence (Constitution Act 1900, ss. 106-109).

### **2.2.2 The Structure of the NSW State Government**

The structure and functioning of state governments are essentially the same as the federal government despite some differences with regard to legislative power as above. Many of the arrangements that exist today in NSW such as the bicameral legislature were established by the Constitution Act (1855). This Act was later repealed and replaced around the time of federation by the Constitution Act (1902) which formalised many of the statutes that existed before that time.

In NSW, Parliament is made up of an upper house known as the 'Legislative Council' and a lower house known as the 'Legislative Assembly'. The Executive is made up of a premier, currently hon. Barry O'Farrell, and ministers who are the heads of one or more government departments.

As in the federal Parliament, the head of the state and the ministers who preside over government departments sit on the front benches in the lower house. As above, the Executive is responsible for the dual roles of approving and implementing proposed legislation. Central

to the operation of the Executive is the Cabinet which is made up of ministers of the Crown. This is the nucleus of decision making in the NSW government. Section 35E of the NSW Constitution stipulates that all NSW government ministers must be appointed from the Executive Council and therefore, all members of the Cabinet are members of the Executive Council. However, the power of the Premier's Cabinet is one of convention as there is no reference to this in the Constitution Act (1902). These powers are granted to parliament under section 5 of the Constitution Act (1902, s. 5):

The legislature shall, subject to the provisions of the Commonwealth of Australia Constitution Act, have power to make laws for the peace, welfare and good government of New south Wales in all cases whatsoever: Provided that all Bills for appropriating any part of the public revenue, or for imposing any new rate, tax or impost, shall originate in the Legislative Assembly.

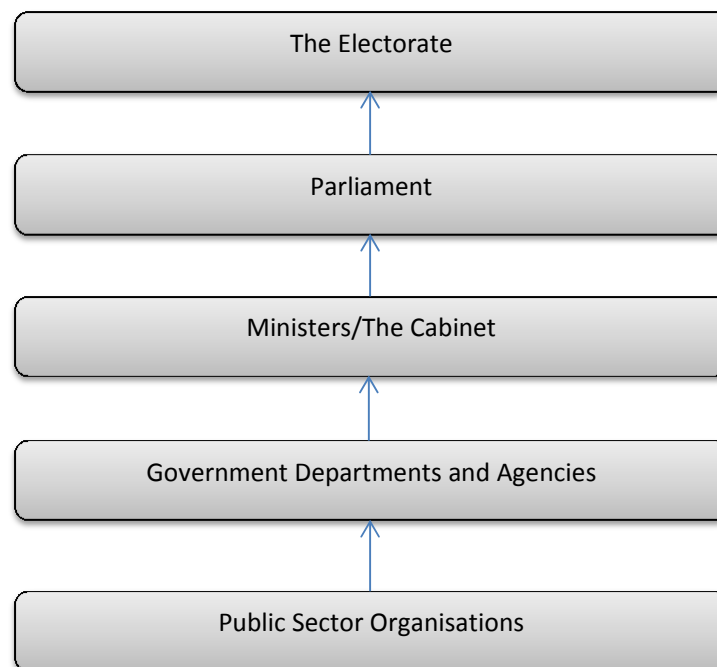
Accordingly, in terms of government finances, power is conferred solely upon the lower houses at both state and federal level to issue money bills. Thus while the upper chambers can make recommendations with regards to the inflows and expenditure of revenue and taxes, the Executive retains control over this area and is free to ignore these suggestions (Constitution Act 1900, s. 53; Constitution Act 1902,s. 5A).

Government policies are put into practice by departments. These departments consist of a portfolio of agencies governing specific areas. In NSW, following the election of the liberal government in 2011, government departments were aggregated into nine functional units. Included in this list is the Department of Education and Communities (DEC). This department is more closely examined in the proceeding section.

Agencies are the bricks and mortar of government departments. They are diverse in structure and their purposes are dependent on the goals being sought. Thus there is no keystone agency per department but rather autonomous bodies that perform distinct activities. They take on

various roles and are given names such as statutory bodies, management, consultative and joint standing committees, centres, bodies and offices. The agency most relevant to this research is the Office of Education which provides strategic analysis, support and advice across education sectors – i.e. for government and non-government schools alike. It is responsible for implementing national partnership programs such as the Empowering Local Schools National Partnership (ELSNP) which are aimed at achieving mutually agreed outcomes and performance benchmarks. These bodies are accountable to the minister presiding over them and these ministers are ultimately accountable to Parliament and the people.

**Figure 2.2 Lines of Accountability in the NSW Public Sector**



(Adapted from Funnell and Cooper 1998, p 29)

The last layer of structure within the NSW government includes the organisations and employees involved in delivering services to citizens. Collectively, all layers identified above can be referred to as the ‘public sector’ however a more acute definition is sought in section 2.2.3 of this thesis. The present study is concerned primarily with this bottom layer and lines

of accountability therein. Attention is now directed at this furtive term. The following discussion examines some pragmatic approaches to accountability in an attempt to construct a useable concept for the purposes of analysis. A simplified model of the lines of accountability existing in the NSW government is presented in Figure 2.2. The arrows represent relationships of accountability.

#### *2.2.2.1 Accountability*

The above discussion has illustrated that many layers of accountability exist within the public sector. It has, however, masked many of the nuances which attach to the concept of accountability. Kamuf (2007), for instance, notes that the objectivity we attach to numbers substitutes a subjective appreciation of responsibility with a narrative form of accountability. She suggests that the focus on numbers and ‘bottom-line thinking’ is comparable to a displacement of “the responsibility of decision and judgement from the ‘subjective’ place of thought to the balance sheet of summary numbers that... ‘speak for themselves’” (Kamuf 2007, p 252). Moreover, accountability is an elusive concept with no agreed upon definition and has therefore become a disputed term (Kamuf 2007; Cooper and Owen 2007; Sinclair 1995; Funnell et al 2012). This statement may come as somewhat of a surprise given the history of the term<sup>2</sup> and its ubiquitous use. Nevertheless, it is widely accepted that good governance in the public sector goes hand in hand with some form of accountability.

Despite the vagary alluded to above, the origins of public sector accountability are not in question. Citizens who grace governments with social contract and contribute to the public purse through taxation are entitled to expect reciprocation, and this usually takes the form of some kind of reporting to show that the government has not abused its position. Governments that do not meet this burden have typically had to rely on force to intimidate constituents into

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<sup>2</sup> Bird (1973) notes that use of the term accountability stretches back at least to 2000BC when the King of Babylonia mandated that those entrusted with others’ resources should be held accountable for those resources.

subservience (Funnell et al 2012). It is fair to presume, then, that adherence to accountability arrangements is a necessary facet of government and public sector organisations. However, the enigmatic questions of ‘whom’ one is accountable to and ‘what’ they are accountable for still remain.

Conventional accounting knowledge would imply a relatively simplistic answer to these questions. Gray and Jenkins (1993, p 55) for instance suggest that:

“In essence, accountability is an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities. On this obligation depends the allocation of praise and blame, reward and sanction so often seen as the hallmarks of accountability in action.”

Gray et al (1996, p 38) approach these questions with more concision. Thus they describe accountability as:

“... the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible.”

This narrow and prescriptive definition embodies the nature of accountability well and may have sufficed the expectations of the constituency in the past. However, as new approaches to public administration emerged, more emphasis was placed on the ‘three E’s’ of resource use – efficiency, effectiveness and economy (Emmanuel et al 1990). This changed the processes attached to the discharge of accountability. An exemplary of this new model is described by Gray and Jenkins (1993) who examined the effect of the Financial Management Initiative (FMI) on the accountability relationship in the UK public sector. They found that the commitment to accountable management to satisfy the three E’s not only increased the accountability of public services but pushed accountability away from traditional notions, which embodied a stewardship relation, towards an appraisal of performance, which embodied notions such as budgetary control, operational achievements, costs and decision

usefulness. They conclude that the new regulatory framework introduced in the early 1990s, "... introduced and institutionalised a change of emphasis in civil service management. Primary responsibilities now no longer lie exclusively with the management of policy but with the management of resources." (Gray and Jenkins 1993, p 65).

The response of civil servants to new regulatory frameworks such as the FMI is an acute example of, to borrow an engineering term, form following function. Thus the mandates for reform which are (presumably) constructed by citizens inform the key accountability relationships between the constituency and public office holders and between elected officials and bureaucrats (Mulgan 2000).

Accountability can therefore be seen as embodying relationships of authority and responsibility and a clear identification of who public servants are accountable to and what they are accountable for. Figure 2.2 uses arrows to identify 'who' the respective parties are accountable to. As noted above, there is a changing emphasis in terms of 'what' public servants are accountable for. Initial observations indicate that public servants must provide an account of their actions with regard to efficiency, effectiveness and economy of resource use. The reforms outlined in the next chapter will further illustrate this tendency. It will be noted that, in NSW and other public sectors around the world, economic impetuses now inform the accountability regime. Thus public servants now place great emphasis on performance appraisal. Within this thesis, new approaches to public sector management such as accountable management (Gray and Jenkins 1993) and NPM (Hood 1991, 1995a; Dunleavy and Hood 1994) are depicted as catalysts of new accountabilities in public sector organisations. This presumption informs the discussion in Chapters Six and Seven of this thesis where an analysis is conducted to discover what accountabilities have emerged since the introduction of new accounting technologies.

### 2.2.3 The APS and the General Government Sector – A Contrast with Business

Included in a general but nonetheless pragmatic description of the public sector are all “national, regional and local governments plus institutional units controlled by government units” (Taskforce on Harmonisation of Public Sector Accounting 2005, p 4). In Australia, a more precise definition can be made by reference to the documents outlining the principles and rules upon which the financial management and reporting system is designed. This system, expounded and formalised by the International Monetary Fund (IMF), is known as the Accrual Government Finance Statistics Reporting Framework (GFS) and is intended to enable a cross-country comparison on both cash and accrual bases<sup>3</sup>. The documents that clarify the principles and rules on which GFS are based are contained in the Australian Bureau of Statistics (ABS) publications and all GFS are presented in the ABS website. Amendments to Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005(ABS Catalogue No. 5514.0) states that government organisations are categorised into three groups including the GGS, Public Non-Financial Corporations (PNFC), also known as government business enterprises (GBEs) or Commonwealth authorities (Authorities and Companies Act 1997, s.7) and Public Financial Corporations (PFC).

Emphasis is placed on describing a segment known as the general government sector (GGS). Actors of the researched organisations (DEC and public schools) are situated within this segment of government. The identification of significant differences between this and other segments of the public sector provides a context by which an interpretive research

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<sup>3</sup> The Australian Accounting Standards Board's *AASB1049* (Whole of Government and General Government Sector Financial Reporting) is the Australian government's attempt to harmonise GFS with Generally Accepted Accounting Principles (GAAP). The AASB operates under the direction of Financial Reporting Council (FRC). This harmonisation currently represents an 'urgent priority' for the FRC who seek "to achieve an Australian accounting standard for a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements" (FRC Bulletin 2002/5 18 December 2002, as modified by FRC Bulletin 2003/1 11 April 2003). In accordance with this goal, AASB1049 requires the inclusion in budget documents, amongst other indicators, of fiscal and underlying cash balances which are accrual and cash representations, respectively, that show whether the government must borrow to cover its activities.

methodology may be used to provide convincing arguments. At the time of the adoption of accrual accounting in the whole of NSW Government, the GGS was referred to as the 'budget sector'. The GGS includes those organisations which are dependent on revenues raised through taxation to continue operations. It comprises one of three segments of government.

The nature of the two groups in the non-GGS is significantly different. GBEs, while they may receive some funding from government in order to comply with service obligations to the public, have significant autonomy to control the goods and services provided, pricing arrangements and levels of production. They are profit oriented and participate in private sector markets to deliver services to citizens. There are currently seven Commonwealth GBEs including Medibank Private and Australia Post. There are also many other state GBEs, also known as State Owned Corporations (SOC). In NSW these include companies such as Integral Energy, Sydney Water and Railcorp. The scope and scale of GBEs in Australia is vast. Australia Post, for example, more than rivals the massive franchise McDonalds. In the 2010-11 financial year, Australia Post consisted of over 4,400 outlets generating \$5billion revenue with a before tax profit of over \$330million (Australia Post 2011) compared with the 780 McDonalds stores which generated a comparatively modest \$1.54billion of revenue.

The sheer scale of GBEs makes them prone to great public scrutiny (Self 1993). The accountability of GBEs is therefore made explicit by the Commonwealth Authorities and Companies Act (1997). Corporations founded under this Act are required to present annual reports and any other information to Parliament upon request. GBEs formed with an entrepreneurial ethos are likely to be established under this Act and are akin to the widely rhetoricised and panacean alternative to public sector governance championed by NPM advocates such as Osbourne and Gaebler (1993). Further autonomy can be garnered by forming under the Corporations Act (2001). Companies formed under this Act, but which are

still controlled<sup>4</sup> by government, are known as ‘Commonwealth companies’ (Authorities and Companies Act 1997, s 34). While control is still exercised over these types of companies by government, the statutes would allow these GBEs to borrow without requiring the consent of government. This would essentially render these organisations business-like (Funnell et al 2012).

PFCs make up the other segment of the non-GGS sector. These institutions provide financial services and include the Reserve Bank of Australia at the Commonwealth level. PFCs and PNFCs comprise the non-GGS and are able to generate their own source of funds. Despite their perceived autonomy, the establishment based on, or at least partial reliance on, public funding places both PNFCs and PFCs within the purview of government. They are therefore defined as being part of the public sector and remain accountable to Parliament and the people (Funnell et al 2012).

The arguments put forward by NPM and entrepreneurial advocates such as Osbourne and Gaebler (1993) may be granted credence for those organisations existing in the PFC and PNFC. These arguments become particularly relevant for GBEs which must compete with other private sector providers. However, the nature of institutions that operate in the GGS may be sufficiently different so as to warrant a more conservative approach. A recent AASB Exposure Draft confirmed that significant GAAP/GFS harmonisation issues still exist for public sector entities in the GGS but it explicitly makes mention of the fact that the draft does not apply to other entities such as those in the PNFC and PFC (AASB ED212 June 2011, p 6). The acknowledgement by the regulatory body that there are significant issues in harmonising accounting standards for one segment of the public sector but not the other

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<sup>4</sup> ‘Control’ of a Commonwealth company by government is defined as either the ability to control the composition of the board, the ability to cast more than half the maximum votes at a general meeting or the holding of more than one half of issued share capital (*Authorities and Companies Act 1997*, s.34, 1A).

points to the existence of one or more significant differences<sup>5</sup>. Many authors have attempted to pinpoint these differences and their description often comes back to the nature of the service providers in the public sector.

The above description of PNFCs and PFCs situates financial arrangements with the governing body as a central concern. That is, if the body responsible for providing services to citizens receives, or has received at some time in the past, funding from the public purse, then it is considered part of the Australian public sector (Funnell et al 2012). Based on this description, the group of bodies most reliant on public funding to continue operations are those in the GGS. In NSW, these bodies consist of the nine previously mentioned departments and the portfolio of agencies beneath them. Although some of these agencies, such as the Office of Education, are able to generate small amounts of revenue based on user pays principles, they are moreover reliant on taxation. This segment of government is characterised by certain attributes which distinguishes it from the private and non-GGS.

Freeman et al (2006, p 2) establish five defining characteristics of the GGS and non-profit organisations. (i) They do not earn or have a profit motive and most are exempt from income taxes; (ii) Ownership is dispersed among the constituents in society – equity in the organisations is not evidenced by and cannot be dispersed through shareholdings; (iii) The contributions to organisations are not necessarily proportionate to the receipt of resources from the organisations; (iv) The bodies involved in policy and some operational decision making are either elected representatives of the constituency or appointed by the governing body; (v) Meetings are open to the public and often involve the media.

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<sup>5</sup> This argument establishes that the GGS is different from the non-GGS. While the argument does not necessarily establish direct parallels between GBEs and business entities, many authors note that accounting technologies and GAAP developed for the private sector, including accrual accounting and budgeting, are easily transferrable to GBEs and other governmental organisations with a business-like orientation (NSW Parliament Public Accounts Committee 1992, 1996; OECD 1993; CPA Australia 2000; Salinas 2002).

Another important difference alluded to above is the source of funds available. Governments have the ability to enforce monetary contributions through taxation. All levels of government in Australia rely heavily on this ability. For government departments in the GGS such as the DEC, taxation represents the primary source of funding. A disaggregation of revenues and expenses in NSW and an operating statement for the NSW GGS are presented in Appendices 2A, 2B and 2C.

Despite these differences, there are similarities which must not be overlooked. GGS, non-GGS and private sector organisations must make wise economic decisions relating to the use of scarce resources. In order to make sound decisions, organisations in both sectors must make use of viable accounting information systems to ensure that managers are able to achieve their respective goals. Resources must be used economically, effectively and efficiently in all sectors. And finally, in order to evaluate the use of these resources, cost analysis, control mechanisms and performance evaluation techniques must be adopted by all sectors (Freeman et al, 2006; Hoque and Adams 2008; Hoque 2008), however this is a far more difficult practice in the GGS where (i) markets are monopolistic because businesses are unwilling or unable to provide goods to citizens and hence there is no market test of the services provided; (ii) the connection between the provider and recipient of resources is remote if not absent; (iii) profit is not a valid performance indicator and; (iv) revenue can be raised arbitrarily through taxation. It follows that unique approaches to measuring performance must be established that take into account both the external regulatory frameworks and internal organisational goals (Hoque 2008).

To summarise, business entities and elements of the non-GGS seek to increase their wealth by operating in established markets, or even create new markets, where forces of supply and demand are determinants of price and profit. This wealth can then be distributed to owners. GGS entities do not pursue profit. They only seek to spend the resources entrusted to them as

efficiently and effectively as possible for the benefit of the community. All sectors seek to apply performance measurement models that meet relevant criteria in order to evaluate performance (Barton 2005; Hoque 2008; Hoque and Adams 2008).

#### **2.2.4 Policy Implications in the GGS**

The above discussion illustrates that there are significant differences between the GGS and non-GGS. This has led to the production of empirical work which supports, for example, accrual principles only for entities with a businesslike orientation (Christiaens and Rommel 2008) and conceptual work that debates the applicability of private sector rationales in the public sector (Barton 2005). Such dissonance is primarily due to the fact that outputs in the GGS take on social characteristics and are often not measurable in quantitative terms. Christiaens and Rommel (2008, p 72) note that “accrual accounting incorporates defects in that economic inputs (costs) are matched with limited economic outputs when they should actually be compared with the social services that the government renders”. Public education is a prime example of a public sector good whose outputs take on social characteristics. In the context of the public sector, education is defined as a ‘merit good’.

##### **2.2.4.1 Merit Goods**

CPA Australia (2012) identifies two types of goods delivered by the public sector. These are described as public goods and merit goods. Both types are non-excludable in that non-payers cannot be excluded from using them and non-rival in the sense that one party’s use of the good does not preclude another’s use of the same good. Examples of public goods include street lighting and parks.

In the second category identified by CPA Australia (2012), justification for providing these goods is invoked by the use of the word ‘merit’. Merit goods are intended to benefit society based on their inherent worth. Included in this category are education and public health. So,

for instance, smarter children and fewer smokers ostensibly provide some benefit and lead to the betterment of society. The supply of merit goods and the implications for public financial management have been considered widely thus leading to a veritable ‘treasure box’ of thoughts on their provision (Musgrave 2008).

The consequences of this nomenclature may seem benign, but if the provision of government services in parts of the GGS is to be based on merit then a philosophical stance, a conception for ‘the proper role of the state’ (Hood 1991), must be one that is linked to justice and fairness in society<sup>6</sup>. Public sector organisations may certainly have their own sets of administrative values, but the nature of merit goods is such that it transcends these values. If a set of administrative values or attitudes are argued to take primacy, then it raises the question of why we denote these goods as meritorious in the first place. Surely the prefix ‘merit’ could be removed thus leaving us simply with public sector ‘goods’. There must be a reason for the provision of merit goods which does not fall under the purview of or is subsumed by a set of administrative values.

This argument rests on the Platonic assumption that we expect ‘goodness’ to flow from our elected representatives – certainly not a trivial assumption but an obvious one without having to refer back to Hobbesian notions of anarchic societies. Government teleology from this standpoint therefore maintains primacy. A government bent on appeasement or the application of a narrow set of administrative values and associated doctrines such as NPM is unlikely to address the issue of ‘goodness’ in society. It follows that the delivery of merit goods such as public education will be adversely affected by a government that does not tend to ‘goodness’.

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<sup>6</sup> ‘Merit goods’, in this instance, are defined Platonically thus linking ‘goodness’ or ‘worthiness’ to a virtuous and just outcome such as high quality education. If those outcomes are compromised then the ‘goodness’ of government becomes questionable.

The above argument that government teleology takes primacy in the provision of merit goods goes against the counter criticism described in Hood's (1991) article. The counter criticism states that if debate about the incompatibility of NPM relates to the 'proper role of the state' then it cannot be argued that NPM is a false recipe for achieving the narrow efficiency values of the current orthodox agenda. In other words, counter critics would claim that NPM relates to administrative values and the efficient delivery of services, and these values effectively subsume government teleology. The implication that a government or government department's core values will affect the institutional arrangements and the way in which services are delivered is accurate. But the counter criticism does not address the issue of merit goods.

In order to effectively provide an account of the actions which are governed and upheld by this philosophy, the financial reporting systems must be related to the "function of the structure in question" (Wells 2003 in Barton 2005, p 141). A pertinent question arises. What happens to the provision of merit goods when an alternate stance and associated accounting technology based on efficiency is adopted? The "function of the structure in question" – i.e. government teleology – does not change the nature of public sector goods<sup>7</sup>, but it can and does change the environment in which those goods are delivered. It also changes the way those goods are delivered so that outcomes fall into line with predefined goals. Hence if government policies are changed to align with certain administrative values such as those espoused by *sigma* style governments which stress competition, efficiency and parsimony

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<sup>7</sup> A description of the nature of education is deemed peripheral to the objectives of the research. For discussion on this one might refer to two fundamental strains of thought. On one hand Plato's work called 'Republic' puts forth a theory that the transcendental field of 'forms' can lead to an objective enlightenment through education. John Dewey eschewed this position and devoted his description along more naturalistic lines. Far from the rigidity of the 'forms', Dewey parallels Rousseau's depiction of education in the prosaic tale of *Emile* where the protagonist is taken out of the corrupted society to be "brought into harmony with... natural tendencies" (Rousseau 1762 in Dewey 1959, p5). Moreover, education can be referred to simply as a set of mental processes including recognition, memory, analytics, reflection, understanding and evaluation (Vygotsky 1986).

(Hood 1991), then the educational environment will respond accordingly. However, as has been established above, the nature of educational services is significantly different to goods and services provided in the private and non-GGS which unequivocally and unapologetically pursue efficiency.

In order to gauge the principles upon which responsible government is founded, it will be insufficient to generalise across all contexts, i.e. to apply one ‘government teleology’ to all segments, departments and agencies in government. The next section therefore outlines the departmental and organisational context of this research. In so doing a connection is made between the objectives and prioritised outcomes as defined by parliament and the outputs of the department (DEC) and the organisations within their purview (i.e. schools).

### **2.3 Setting of the Study**

Although this study examines localised instances of accounting reform, the DEC is included in the ‘setting’ because it wields significant authority over the actions of principals at NSW public schools. Many accounting functions previously conducted at NSW public schools have also recently been centralised and handed back to the department. The hon. Adrian Piccoli resides over this department and has provided impetus to government reforms including Local Schools, Local Decisions (NSW 2011b). A brief discussion of the department’s core values and objectives is provided. Some policy implications arising from this discussion are also investigated. Analysis in Chapters Six and Seven will refer back to these values and implications to attest to whether accounting reforms at NSW public schools have achieved the rhetorical goals of the department. The localised setting – a NSW public school – is examined more closely in Chapter Five.

### 2.3.1 The Department of Education and Communities

The DEC is a significant state government department. In 2011 with the election of a new state government, the then Department of Education and Training (DET) was dissolved and the DEC set up in its place. Its goal is twofold. Firstly, the department exists to support all stages in the development of education from early childhood through to tertiary education. Secondly it is intended to enhance the quality of life and strengthen communities (NSW Budget Paper 3, 2011-12). This is reflected in its mission statement which recognises the department's role as the improvement of "the social and economic well-being of the people of NSW through the provision of high quality education and training" (DEC 2012). The DEC explicates its administrative values as follows:

**Table2.1 The Core Values of the Department of Education and Communities**

<b>Fairness</b>	Being committed to the principles of social justice and opposing prejudice, dishonesty and injustice.
<b>Respect</b>	Having regard for yourself and others, lawful and just authority and diversity within Australian society and accepting the right of others to hold different or opposing views.
<b>Integrity</b>	Being consistently honest and trustworthy.
<b>Responsibility</b>	Being accountable for your individual and community's actions towards yourself, others and the environment.

(Source: Department of Education and Communities 2012)

These core values are representative of what Hood (1991) described as *Theta* type administrations – those that align with the virtuous goals of honesty and fairness as well as the prevention of bias and abuse of office. The DEC is directed by these values, thus nowhere in the department's records (cf. NSW 2012) or webpage are notions of efficiency and productivity overtly maintained as paramount objectives or desirable outcomes. However, as alluded to above, the juxtaposition of the word 'accountable' next to the core value 'responsibility' contributes some vagary since an examination of this source does not reveal

precisely ‘what’ one is accountable for. Hence it may be argued that efficiency gains may be subsumed by the Core Value of ‘responsibility’. Nonetheless, the DEC preserves the policies established in 2005 of the then DET. Again, these objectives and priority outcomes emphasise virtue, probity and integrity and place only tacit emphasis on *sigma* type administrations that stress the application of business principles including gains in efficiency (Hood 1991). The objectives and priority outcomes of the DEC are outlined as follows:

**Table 2.2 DEC Objectives and Priority Outcomes**

<b>Department Objectives</b>	<b>Priority Outcomes</b>
1. Achieve excellence in education and training outcomes for all students	Improved literacy and numeracy outcomes for all students
2. Provide students with the foundations	Increased rates completion rates of year 12 or vocational equivalents
3. Improve the quality of teaching and learning	Improved VET and employment outcomes
4. Improve transitions through schools to work and further education	High quality teaching and professional standards
5. Provide the skills and values for innovation , growth, prosperity and social cohesion	Improved teaching recruitment, retention and retraining
6. Deliver a dynamic and responsive system of public education and training	Reduced class sizes in Kindergarten to year 2
	Higher levels of security and safety for staff and students
	Improved technology-based learning and infrastructure
	Higher quality learning environments
	Improved delivery of services

(Source: Department of Education and Training 2005,  
[http://www.dec.nsw.gov.au/detresources/DET\\_priorities\\_2005\\_AtijisMDdy.pdf](http://www.dec.nsw.gov.au/detresources/DET_priorities_2005_AtijisMDdy.pdf))

The DEC is ostensibly committed to its core values with mutual respect and fairness featuring prominently throughout the discourse surrounding its operations. Diversity, student outcomes, the special needs of students and a commitment to improved aboriginal learning are stressed (NSW 2011b, p 8, 12-13; NSW 2012, Budget Paper 3, pp 2-8). Since 2010, particular attention has been paid to ‘closing the gap’ on aboriginal disadvantage in Australia. This has become entrenched Commonwealth policy with the election of the Rudd Labour government which aimed to improve indigenous education as well as health, life expectancy, mortality rates and employment (Council of Australian Governments 2010). In NSW the commitment towards indigenous equality has been solidified by the NSW Government Commitment to Aboriginal People (NSW 1997) and furthered by the New South Wales Aboriginal Affairs Plan (NSW 2001). The information provided in the NSW Budget (2011-12) parallels the goals and outcomes above.

Since the department was transformed in early 2011, there is also specific mention of increased participation in community volunteer programs, improved well-being for children and young people, increased participation in sport and recreational activities and improved well-being and support for aboriginal communities and culture (NSW 2012, Budget Paper 3, pp 3-4). These addendums to the DEC’s role are acknowledged, however this thesis focuses moreover on the ‘E’ section of the DEC. There is no attempt to discern a collective goal as the DEC, in its organisational chart, indicates that there are two distinct roles – one for the Office of Education and the other for the Office of Communities (see Appendix 2D).

The DEC is accountable to the NSW Parliament and subsequently to the people of NSW through the Minister for Education who is currently hon. Adrian Piccoli MP. This minister sits in the Legislative Assembly and forms part of the executive of the NSW government. As in sub-section 2.2.1, the separation between legislative and executive powers is a dubious one in Westminster governments. Hon. Adrian Piccoli has therefore been able to push through

reforms with relative ease, particularly as the most relevant agenda, Local Schools, Local Decisions (NSW 2011b), was initiated by the previous government and therefore appears to have bi-partisan support. Hon. Adrian Piccoli has pushed for reform in financial management at public schools, the culmination of which is reflected in the policies outlined in Local Schools, Local Decisions (NSW 2011b). Thus he has recently been at the centre of industrial action surrounding the topic of this research and has featured prominently in mainstream media and parliamentary debate.

#### *2.3.1.1 Policy Implications in the DEC – Efficiency versus Effectiveness*

Before moving on to a portrayal of the researched organisation, a key issue related to the trade-off between efficiency and effectiveness is examined. This analysis refers back to Table 2.2 where it is noted that the ‘Department Objectives’ provide the department with strategic direction for operations whereas the attainment of ‘Priority Outcomes’ can be defined as a measure of the organisation’s effectiveness in achieving stated objectives. Therefore, emphasis is placed on the right hand column of this table when discussing the effectiveness of policies implemented by the DEC.

Because efficiency is not identified as a priority outcome and can only be considered as an implicit goal for the DEC, the link between the efficiency of the organisation and its effectiveness in achieving its goals is tenuous. Nonetheless, a logical argument can be put forward that connects the two: An organisation that strives for and achieves greater resource efficiency has the potential to focus more resources on one area or redistribute unused resources to other more needy areas thus achieving enhanced effectiveness (assuming those extra resources are not wasted). By contrast, if a public sector organisation like the DEC were to place significant emphasis on a New Public Managerial approach, then there is potential to sacrifice outcomes for cost savings (Emmanuel et al 1990; Newberry and Ellwood 2006; Lapsley 2009). While the attainment of efficiency and effectiveness is not always so

dichotomous, the potential to sacrifice one for the other is omnipresent (Emmanuel et al 1990).

This argument was recently taken up by the NSW Teachers Federation (NSWTF) who undertook industrial action to express concerns about the implications of Local Schools, Local Decisions (NSW 2011). It is the view of the NSWTF that budgetary devolution will result in reductions in full time equivalent teaching and support staff whose experience and duties are vital to the enhancement of student learning (Hoekstra et al 2007). – one of the explicated ‘Departmental Outcomes’. This problem is exacerbated by research which shows that the skills of new entrants into Australian teaching ranks appear to be declining (Leigh and Ryan 2008). One of the aims of this research is to examine whether such devolutionary policy represents the pursuit of a legitimating tactic and a potentially anachronistic agenda, especially given the recent findings of the ‘Gonski Report’ (Gonski et al 2011) which found that NSW public schooling requires more funding, not less. On September 11, 2012 the NSW government announced a \$1.7billion reduction in funding for public schools and TAFE colleges.

The question of why such departmental policy has been emplaced represents an existing empirical question. Given recent world economic events there is perhaps greater impetus for efficiency enhancements and drives towards NPM in an environment where effective outcomes do not contribute significantly to the most contemporary and immediate concerns of society. That is, fiscal concerns are given higher priority than the educational needs of children in times of significant financial constraint. However, if cost savings are not an explicated goal of the DEC, then there must be another reason for the narrow pursuit of efficiency. In seeking an understanding of this reason there must be some motivation accompanied by the opportunity to pursue it. Understanding the motivation behind such policy entails an interpretation and critical appraisal of current events and is the focus of field

research conducted in this study. The opportunity is less difficult to discern. It exists for two reasons.

Firstly, students, as principles in a relationship with government, cannot defend their rights to better education, nor are they in a position to fathom the weight of government policy. Schooling is a unique environment. Not only do the principles (students) delegate authority to the agent (government), but they are also the sole recipients of organisational outputs. They do not, however, possess the legal sanction or the requisite information to appraise their agent's performance. The opportunity to sacrifice effective outcomes due to the unbalanced nature of the principle agent relationship in schools is mitigated by other parties who do not directly receive the services. Thus the decision-making responsibility must fall back onto (i) parents or; (ii) an otherwise trusted public servant. In the case of the latter, authority is delegated locally to one who is, ironically, entitled the principal. Even in the presence of one who is trusted and diligent, the existence of a weak principle, i.e. students, leaves the door open to political rummaging as the head of the school cannot reasonably be expected to have all the information he needs to make the best decisions. It will be the timely intervention of parents as their children's representatives to ensure that outcomes must not be sacrificed. Fortunately the nature of a parent is such that, although they themselves may be willing to suffer the "slings and arrows of outrageous fortunes", they would not have such ordnance aimed at their offspring. But, whilst parents can engage in meetings and contribute to the 30,000 strong team of volunteers in the Federation of Parents and Citizens' Association of NSW, it is the professionalism, resources and edification of the NSWTF that constrains the opportunity to sacrifice effective outcomes. This organisation possesses the necessary cohesiveness to demand, and resources to examine, the most relevant information relating to student outcomes. This research aims at broadening the edifice which contributes to our

understanding of public schooling thereby preventing further deterioration of student outcomes.

Secondly, the opportunity to pursue current policy exists because the context in which current governmental education policy becomes operationalised does not compel this department to achieve the outcomes shown in Table 2.2: despite Australia's mining boom, recent economic constraints have provided the NSW Government a fresh mandate to focus on efficiency gains (NSW 2012). Thus while the DEC's explication and rhetorical acceptance of the goals set out in Table 2.2 are apparent (NSW 1997, 2001, 2011a), the government can afford to redirect resources in a manner more suited to the epoch of budgetary constraint.

The NSW government today is judged on how well it optimises taxpayer funds while keeping reductions in specific departmental outcomes, such as literacy and numeracy rates of students, to a minimum. If public attention is redirected towards the attainment of enhanced efficiency in the public sector then the government can ostensibly be described as successful. NPM is the silver arrow in the quiver of outrageous fortune that allows governments to achieve augmented efficiency.

## **2.4 Reforms through the Budgetary Lens**

The state budget is another lens through which reforms can be viewed and provides an insight into the objectives of the current Liberal government. The brief outline of the NSW government's budget below lends credence to the efficiency argument. The following analysis is supplemented with official facts and figures which can be found in Appendices 2A, 2B and 2C.

The NSW government under hon. Barry O'Farrell MP has committed itself to a ten year action plan (NSW 2011a). The NSW 2021 Plan is set against the backdrop of a constrained economy and a government committed to reform so as to return the state budget position

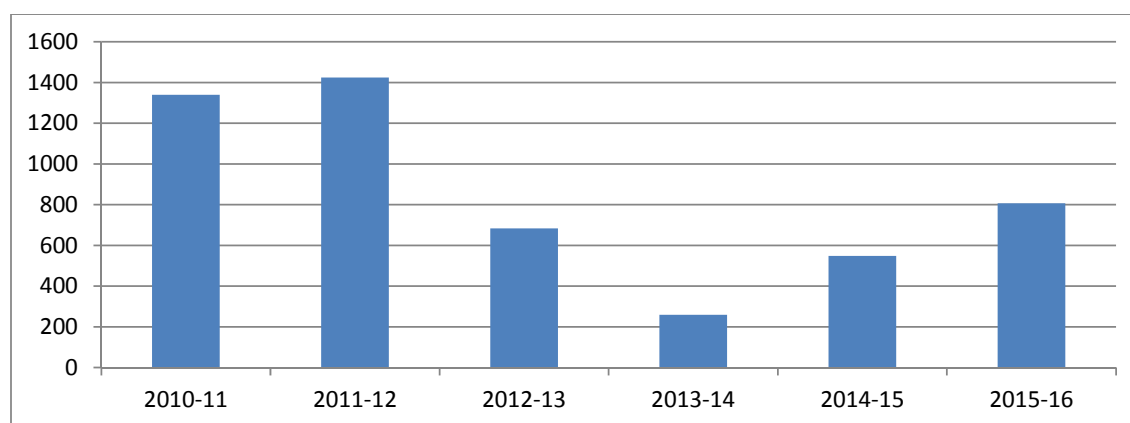
back to surplus. Five key goals are outlined: (i) Retain NSW's triple A rating and make NSW the most attractive place to do business in Australia; (ii) Improve services in areas such as health and education with a focus on the customer; (iii) Improve the economy and the lives of citizens by renovating infrastructure; (iv) Strengthen communities by devolving decision making and giving them more power to engage in planning; (v) Enhance government accountability and make information more available to citizens.

Under the NSW 2021 Plan, financial management reform has crystallised in specific areas. The most relevant include a "review of budget processes and systems in order to better support sound, sustainable and effective decision making and resource allocation" as well as "developing an accountability framework for public sector financial management, improving agency capacity to effectively manage budgets and increasing accountability at a cluster and agency level" (NSW 2011a, pp 4-6).

In the context of a reforming government and one committed to surplus over the next 10 years, budget compliance is stressed. Trends in expenses have shown a fiscally unsustainable route, one that threatens NSW's triple A rating.

The most significant drivers of expenses growth have been employee related (See Figure 2.2). Specifically, employee numbers have increases at an average of 1.8% per annum and wage increases in the NSW public sector have exceeded commercial increases by 7.9% in the five year period leading up to the election of the Liberal government. The budgets for 2011-12 and 2012-13 display a government committed to reducing expenditure trends. The main focus is on reducing employee expenses growth (see Figure 2.2). The most pronounced observation is that of a government committed to achieving a budget surplus over the next 4 years (see Figure 2.3).

**Figure 2.2 – Employee Expenses Growth (\$m).**



(Source: NSW 2012)

**Figure 2.3 – NSW Government Budget Position 2012-13**

	2011-12 \$m Revised	2012-13 \$m Budget	2013-14 \$m Estimate	2014-15 \$m Estimate	2015-16 \$m Estimate
Revenue	58,452	59,727	62,636	64,916	68,074
Expenses	58,788	60,552	62,347	64,353	66,902
Budget Result	(337)	(824)	289	562	1,172

(Source: NSW 2012)

The Budget Papers are reflective of NPM principles. The observed goals of the current government are set out as follows: (i) Greater efficiency and effectiveness in achieving objectives thereby improving the quality of services in the GGS; (ii) Greater economy in terms of resource usage; (iii) Enhanced accountability in terms of transparent financial reporting; (iv) Devolutionary policy to achieve smaller government. These goals align with the two primary doctrines outlined by Hood (1991)<sup>8</sup> – (i) lessening the difference between the public and private sectors and; (ii) a shift from process accountability to accountability for results.

<sup>8</sup> The doctrinal elements of NPM are examined more closely in Chapter 4.

In particular, the policy of reigning in employee related expenses coupled with devolutionary tactics demonstrates this government's desire to inspire managerialism in the GGS. If, for instance, a school principal is given greater budgetary responsibility it will be incumbent upon that individual to achieve greater efficiency and he/she will no doubt turn to the private sector principles espoused by NPM. Devices such as competition, contracting and outsourcing may ensue. These goals and devices are outlined further in Chapter Four under the banner of NPM and are the subject of analysis in Chapters Six and Seven.

## 2.5 Conclusion

This chapter acknowledged the role of context in conducting accounting research and delineated some of the institutional, departmental and organisational structures which are relevant to the present study. The structures of the federal and state governments of Australia were briefly outlined and a definition of the public sector was submitted which placed the organisation's reliance on public funding as central to its inclusion. It was noted that this classificatory exercise is not a straightforward practice especially in the current environment of reform in NSW where competition and commercialisation have become pronounced. Further discussion displayed a contrast between the goals of the private and 'business like' parts of the public sector and the goals of public sector organisations which rely primarily on appropriations from Parliament. It was noted that this contrast has implications for the discharge of accountability to the constituency. Further examination of context was conducted by viewing recent reforms through the lens of the state budget. Economic constraints were noted to have become more visible as the state government transitioned from Labour to Liberal leadership and the rhetoric of NPM was noted to be filtering through official government publications such as state budget papers.

The delineation of the relevant institutional structures is an intricate task and a comprehensive attempt may be unattainable in this thesis. This chapter therefore maintained a

broad description then drilled down to the most relevant government department, the DEC. This body oversees and provides direction for NSW public schools. It was shown that public schools in NSW operate in a constrained economic environment and will be subject to considerable reforms, many of which will emphasise NPM tenets. Before delving into this principled approach to public management, examining literature related to its application and analysing its impacts on the researched organisation, an examination of the preceding form of public administration is conducted. This form is identified as ‘modern bureaucracy’. The next chapter investigates reforms in the last three decades and shows how these reforms have encouraged a transition away from bureaucratic forms of public sector administration in Australia.

## Chapter 3

### Government Teleology and Reform

#### 3.1 Introduction

Over the last three decades public sector organisations in Western democracies have come under great scrutiny not only from the represented constituency and interested stakeholders, but also from within government. A combination of factors has impacted on the increasing pressure now placed on public sector organisations. Some have argued that deteriorating economic conditions since the end of the post-war boom provided the greatest impetus for change (O'Connor 1973; Bell and Head 1994). Governments had to meet the challenge of funding their ongoing activities and servicing ever growing budget deficits, a task which had previously gone unhindered in the boom economies of many Western nations (Barton 2009; Self 1993; Webb 2010). A growing body of work also pointed to the fact that public sector organisations were inherently inefficient when it came to service delivery and quality (Orzechowski 1974; Ganley and Cubbin 1992). Mascarenhas (1996) noted that cross sectoral comparisons such as these had focussed the public eye on governments who then had to attune their actions to financial imperatives espoused by the private sector. Self (1993) has argued for a related factor. He (1993) mentions that the rapid growth of economies in the post-World War II era and subsequent expansion of the state necessarily precipitated fresh critique of government action. Hence, in the place of Keynesian state interventionist attitudes and neo-classical economic rationales, a new rhetoric emerged which focussed on economic liberalism, state minimalism and efficiency. In Australia the new approach is reflected most notably in the actions of the Howard government and its liberalising agenda post-1996 (Hollander 2008). The commitment to economic liberalism, while not without critique, has strengthened in recent times. The overweening goal has been to scale back the state's influence over the economy in favour of market forces. Bell and Head (1994, p 19) surmise

the goal of depoliticisation neatly by indicating that: “Too much attention, it is argued, was paid to wealth distribution, not wealth creation”. Within Australia, even the most railroaded and guarded of public sector industries such as transport (cf. Stanley and Hensher 2004) and prisons (cf. Andrew and Cahill 2009) are not immune to this agenda.

Set against this backdrop, new approaches to public sector management emerged which emphasised private sector techniques to achieve performance enhancements (Osbourne and Gaebler 1992; Christiaens and Rommel 2008; Bisman 2008; Dixon 1996; Christenson and Parker 2010; Bouckaert and Halligan 2008; Hoque and Adams 2011). Attention was directed specifically at reversing the inefficient trends witnessed during the 1970s and early 1980s. Moreover, the attitudes of many public sector practitioners and organisations had begun to change from a mentality of stewardship to a culture of performance which was rooted in financial imperatives (Mir and Rahaman 2006; Carter and Mueller 2006; Hoque and Moll 2001). In order to achieve these aims, public sector organisations needed to undergo more than just a cultural transformation. Changes to accounting technologies ensued in a process dubbed the “accountingization” of the public sector (Power and Laughlin 1992, p 133). The new approach to management, coupled with accounting developments, gained momentum worldwide as governments responded to similar experiences of economic constraint. The term New Public Management (NPM) became a descriptor of the new approach (Hood 1991, 1995; Dunleavy and Hood 1994) and many political commentators agree that the term reliably captured the essence of the desired changes (Maor 1999). In general, NPM has been described as, “an approach to public sector reform and an associated set of practices substructured by an underlying management ideology emerging contemporaneously across fields and borders in the 1980s” (Maxcy 2009, p 492).

NPM reforms have progressed into the 21<sup>st</sup> century (Lapsley 2008, 2009). This is true despite doubts about whether there can be one paradigmatic NPM for the public sector (Hood 1995)

and despite the fact that empirical literature has pointed to varying levels of success in the application of NPM and associated accounting technologies (cf. Broadbent and Laughlin 1997; Pollitt 2000). Notwithstanding their successes or failures, these advances in accounting technologies have shaped the administrative landscape whilst effectively sidestepping more fundamental concerns such as whether or not NPM practices can contribute to the way we would like the world to be. Indeed, the delineation of the successes or failures of NPM reforms is in many cases predicated on an economic outlook, one that does not always match with what may be considered morally good or with what we, as taxpayers, are seeking from our designated representatives (Hood 2000; Funnell et al 2009; Ezzamel et al 2004). To resolve this quandary, it will be necessary to investigate that which is regarded as philosophically 'good' government as well as understanding how government reforms have shaped the current administrative environment.

This chapter presents historical accounts of government teleology and provides an insight into current approaches to public management including a, now retrospective, description of Weber's 'ideal type' bureaucracy. Discussion is then directed at delineating the antecedents of NPM by examining public sector reform and the 'new managerialism' which manifested in the 1980s and 1990s (Zifcack 1994). By juxtaposing philosophical accounts of government teleology with contemporary public sector literature, this chapter contrasts political morality with the rhetoric of pragmatism and optimisation of government activity associated with NPM.

The chapter proceeds as follows. Section 3.2 presents contrasting views on the need for government. This provides a philosophically informed perspective by which specific managerial styles, particularly NPM, may be assessed and critiqued. Section 3.3 provides an overview of modern governments with an emphasis on Max Weber's 'ideal type' bureaucracy. Section 3.4 illustrates a transitory society in both the UK and Australia and

shows how, through official government reformations, a managerial philosophy came to the fore in public sector operations. Section 3.5 illustrates how the managerial philosophy has manifested in Australian public schools through an examination of recent reforms and recommendations. Section 3.6 concludes the chapter and illuminates a path for understanding recent accounting changes in NSW public schools.

### **3.2 Government Teleology – Three Perspectives**

Despite the trend for reduced intervention, the Australian government still pervades many aspects of social life. Thus it is imperative to take note of the underlying basis of why citizens, as consumers of public goods, grant legitimacy to governments. Governments have historically served many different purposes and have taken on many different forms. Funnell et al (2012, p 7) indicate that “the forms which governments may take are a reflection of historically situated political and social ideologies”. To illustrate the importance of context in discerning a need for government, this section summarises three important historical accounts. Each account takes on normative characteristics, to the extent that each represents the author’s opinions with regards to what the role of government ought to be. The section concludes by indicating that debate on government teleology, whilst philosophically rich and informing, has been subsumed by debate concerning the optimisation of administrative function. Debate on government teleology is argued to have fallen from grace due to the convergence, at least in Western societies, on the ultimate form of government – the liberal democracy. Fukuyama (1992) argues that this form of government represents ‘the end of history’, an appalling prospect for political philosophers who have for so long been enthralled to the internal machinations of their minds.

#### **3.2.1 Plato’s Idealism**

In one of Plato’s major works entitled Republic, Socrates, who acts as Plato’s mouthpiece, meets the challenge offered by one of his contemporaries. Thrasymachus posits that justice

and ordinary morality is merely the imposition of the will of the stronger party over the weaker. Much like the shepherd who fattens his flock for the good of himself and his masters, political power rests with the stronger party and the attainment of justice reflects the shepherd's will. The distinction between stronger and weaker, and the interest of the respective position, is the pivotal moment when Socrates prepares to lambaste the argument that justice is not good in and of itself.

In order to show that justice be anything but deference to a stronger party, Plato develops an argument that stems from the Greek concept of *techné*<sup>9</sup>. He argues that good government is a skill or craft similar to that practised by a doctor or carpenter and the exercise of that skill leads ultimately to a robust and equitable society. Thus Platonic conceptions of good government and justice are not the mere imposition of one's will on society but rather the fair and equitable treatment of its subjects by those who are deemed most qualified. He must show that, contrary to the belief in the unjust nature of a man who is able to become invisible and reap the rewards<sup>10</sup>, the unjust man never attains the Greek state of eudemonia. This will lead Plato to the conclusion that not only is justice desirable and virtuous but it is also necessary if one is to attain true happiness. Of course, even if able to construct such counter arguments<sup>11</sup>, the protagonist is yet to demonstrate how to achieve, by government, the type of justice which he considers to be the appropriate remedy to the ills of society. Plato grants us mercy as this is the subject of the following five hundred pages.

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<sup>9</sup> The Greek term *techné* has no direct translation into English but is loosely translated as 'skill' or 'craft'.

<sup>10</sup> This is a reference to the allegory of the Ring of Gyges. A serf of the King of Lydia, Gyges comes into possession of a ring which enables him to turn invisible. He subsequently enters the inner sanctum of the King's palace, murders the King and steals the throne and the King's wife in the process. Glaucon argues that no man would be able to resist such a temptation as justice does not pay so well. Indeed, anyone who possessed such a ring and neither robbed nor wronged would be considered "a most miserable idiot" (360d).

<sup>11</sup> Cross and Woosley (1966, p22) have described the first part of Plato's counter argument as "embarrassingly bad".

What follows is an idealistic portrayal of the possibilities that can arise when power is granted to, even imposed upon, the reluctant ‘philosopher ruler’ – the ruler that values knowledge over vice. Plato’s goal is to show that the actions of government must be guided by a central tenet which he defines as justice. He will demonstrate that only the philosopher ruler can apply this tenet effectively because this type of ruler will eschew the desire for power, seeking only to expand his or her knowledge. When applied effectively, justice will be equated with goodness and will ultimately lead to a better life.

Plato’s deliberations are notably context bound. He has argued from a specific time and place where the norms represented within the pages may seem obtrusive, naive or even barbaric by today’s standards. Education of the philosopher ruler, for example, consisted of a regimented progression through certain curricula at various stages of life, along with the curtailment of art and drama which can be given to “the less reputable women characters or to the bad men, so that those whom we say we are bringing up as Guardians of our state will be ashamed to imitate them” (388a). Another intriguing example is the treatment of children in Plato’s ideal society. He indicates that children should be brought up in communal living quarters. Whilst there are similarities with Jewish kibbutzim here, Plato denies the right of the parent entirely indicating that children should not even know who their parents are.

Aside from cultural or spatio-temporal contextual factors, or perhaps as a result of them, the real strength that is associated with Plato’s argument arises from another contextual base which has been referred to as ‘frame’ (Leitch and Palmer 2010). Framing implies the way in which a researcher characterises their research within a particular genre or philosophical branch to “establish both the legitimacy of their work and the nature of their original contributions” (Leitch and Palmer 2010, p1203). Plato frames his work epistemologically and establishes the nature of his work by constructing a theory known as the ‘theory of forms’.

Plato's theory of forms, and specifically the form of the good<sup>12</sup>, is an epistemological starting point. The theory states that humans possess knowledge of all concepts from birth, whether material or abstract, and our ability to put that knowledge into practice is merely a case of remembering or gaining exposure to it. His goal here is to show that, to attain goodness, one must gain knowledge of what is good through a process of education. This, he argues, is the ultimate goal of the people who are to rule in his ideal society. Plato demonstrates this in a three stage simile consisting of The Line, The Cave and The Sun. The Line analogy distinguishes knowledge (*epistēmē*) from opinion (*doxa*) and presents knowledge as the greatest ideal. Knowledge can be further broken down into reason and intelligence. Reason (*dianoia*) is described as the pursuit of mathematics/science and a necessary step in the education of the philosopher ruler, but is inferior to intelligence because it is uncritical of its assumptions. Intelligence (*noēsis*) is what Plato describes as 'dialectic' and is the culmination of the philosopher's education. In true Socratic style, Glaucon, acting as interlocutor, summarises the distinction between the sciences and dialectic neatly:

“These sciences treat their assumptions as first principles and, though compelled to use reason and not sense perception in surveying their subject matter, because they proceed in their investigation from assumptions and not to a first principle, they do not... exercise intelligence on it, even though with the aid of first principles it is intelligible.” (511c-e)

The Cave analogy follows. It is a graphic depiction of the Line analogy and illustrates the ascent of the ordinary man from illusion (*doxa*) to pure knowledge (*epistēmē*), the ultimate goal of rulers in Plato's Republic. The emancipated mind, once freed from the shackles of illusion within the Cave, emerges into the Sun with critical understanding of the plight of his former inmates. Once the philosopher has attained this unique perspective, it is his duty to

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<sup>12</sup> What is “good” throughout Plato's work is equated with what is just and the terms are used interchangeably here.

return to the Cave to enlighten his former inmates and he is compelled to do so even if it is against his wishes. Indeed, his reluctance to re-enter the Cave is his chief qualification. The unwillingness to return to the darkness is analogous to the philosopher's reluctance, even disdain, for power. This reluctance was felt no more strongly than by Plato himself as his contemporary, Socrates, was said to be in such a position. Socrates' stance against injustice and sophistry was his eventual downfall. He was put to death by poisoning as a result of a democratic vote.

In sum, Plato has constructed an argument that the shepherd is not so much a herdsman, able to persuade and be persuaded, but a well-bred sheepdog who acts according to Platonic conceptions of justice, goodness and morality. What is good, Plato argues, cannot be usurped by appearances. Adeimantus, acting as second interlocutor objects. He notes that "appearance has more value than reality" (365c) and therefore men will learn the "art of persuasion, political or forensic", thereby achieving a stronghold in the castle of legitimacy. However, Plato argues that his sheepdogs are incorruptible.

Plato's ideal state and pursuit of justice is analogous to public interest theories which indicate that government is a neutral arbiter, existing only to maximise social welfare (Scott 2003). Plato's position contrasts with Hobbes and Locke because these latter two, whilst holding similar public interest rationales, embrace the notion that the presence of government is a function of legitimacy. According to Plato however, the rulers need not pursue legitimation since they are the only ones who can rule effectively. In Republic the Guardians enact and uphold the laws of the ideal state for the betterment of the flock. The key is to do so without the unwanted recourse to poisoning at the hands of those who shape the shadows.

### 3.2.2 Hobbes' Pessimism

At a time when Europe was emerging from the Middle Ages<sup>13</sup>, when secularism, science and technological progress were in their fledgling state, Thomas Hobbes delivered, in what has been described as one of the greatest and most comprehensive works of the modern age (Plamenatz 1962) his treatise on political philosophy known as *Leviathan*. In it he notes that the central purpose of government was to prevent a social environment which is characterised by “danger of violent death; and the life of man, solitary, poore (sic), nasty, brutish and short” (Hobbes 1651). Hence the need for a governmental ‘Leviathan’, a powerful and authoritative sovereign ruled by one person or a group of persons instead of a dispersion of power, to “keep them all in awe” (Hobbes 1651).

While the foundations of this work are often the source of critique, it is imperative to note the milieu from which it emerged. Thomas Hobbes developed his ideas during a time of immense suffering. His work was written during a post-civil war period which greatly influenced his thinking (Plamenatz, 1962). Based in this context, he adopted a unique hypothetical. He proceeded by taking all social relations away from the individual in order to determine the most persistent of men’s appetites and how these appetites compete once those social relations are reinstated. He ascribes passions to humans that exist in what he describes as ‘states of nature’. At the time, this state was characterized by lawlessness – a state where gentle passions become weak and one passion in particular guides the actions of humans – fear. What emerges from these premises are ‘laws of nature’. These laws are not set in stone or legislated by institution but are moreover described as truisms, ‘dictates of reason’ or conclusions about “what conduceth (men) to the conservation and defense of themselves” (Hobbes, 1651), that being a general observance of the rules of a powerful sovereign to

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<sup>13</sup>This is the period preceding the Renaissance and is known as Early Modern Europe

prevent a war of “all against all”. It is from this basis that an important aspect of government can be implied – the social contract.

### 3.2.3 Locke's Optimism

John Locke followed a similar approach when discerning the purpose of government. Given the vast array and intricacies of governments at any given time throughout history, he decided it wiser to understand a simpler state – one where there is no defined administrative power. Subsequently, in a society devoid of equitable treatment, people will agree to transfer some of their rights to a central form of government in order to maintain a balanced and fair society. This parallels Hobbes' conception of the social contract. However, the similarities between the two 17C philosophers end here. Locke was certainly not an advocate of the authoritarian state that Hobbes had put forward. Rather he saw the government as a means of upholding the natural rights of citizens as opposed to suppressing their natural appetites. The theory of natural rights, including life, liberty and the pursuit of happiness, and the epistemic state of the human mind as *tabula rasa*, but capable of reason, steered Locke to the belief that all men are capable of being equally good (as opposed to Hobbes who believed that all men are equally bad and anarchy was the result of man's pursuit of self-preservation). His conception of appropriate government teleology was thus guided by his epistemological standpoint. For Locke, the essence of good government was the maintenance of man's natural rights granted to them at birth. Reason would be the greatest asset of the civilian whose freedom to use it would be facilitated by the government rather than constrained by it. Political power he therefore defined as:

“... a right of making laws with penalties of death, and consequently all less penalties, for the regulating and preserving of property, and of employing the force of the community, in the execution of such laws, and in the defense of the commonwealth from foreign injury; and all this only for the public good.” (Stanford Encyclopedia of Philosophy 2012)

### 3.2.4 Administrative reform over government teleology

Plato, Locke, and Hobbes' contrasting positions indicate that contextual factors – whether they are spatio-temporal, philosophical or theoretical – play a significant role in any conceptualization of the need for government. This thesis does not seek to diminish the importance of these accounts; in an alternate setting opportunity may exist to seek understanding of whether public sector accounting practices achieve those contrasting teleological ends. Nor does this thesis attempt to critique the assumptions upon which each perspective is founded, or jump to conclusions about which teleological perspective is most appropriate. Such an exercise is deemed outside the scope of this research endeavour. Moreover, in a society where equity, fairness and accountability are intrinsic to what is deemed to be the ultimate form of government, the liberal western democracy (Fukuyama 1992), debate on government teleology has become less fashionable.

Hence whilst the teleological viewpoints inform the analysis in Chapters Six and Seven, a more pragmatic end is intended by locating the study in a narrower context – that of public sector financial management practices. The assumption brought to this research is only that government teleology remains steady and is reflected in the tenets of liberal democratic governments. Accounting and managerial machinations can therefore be defined and assessed independently in terms of their visibility and effectiveness. This is reflective of the movement away from teleological debate and towards a more salient agenda – the optimization of taxpayer money.

In Australia there exists a firmly held belief that the optimisation of taxpayer money, i.e. resource efficiency, can be achieved by pursuing the principles of New Public Management. Guthrie et al (2003, p 5) indicate that NPM reforms were embraced by all Australian

governments since the 1990s. In this thesis an analysis is undertaken to expose which of these doctrines have become most influential and how they have affected accounting practices in public schools. As an initial observation, Funnell and Cooper (1998, p x) note that the shift to a “managerial philosophy in the public service signalled the most significant changes to Australian governance since federation”. To understand the implications of this new managerial philosophy, an attempt must first be made at demarcating the boundaries of NPM. This is achieved by contrasting traditional bureaucratic methods espoused by Max Weber’s ‘ideal type’ with NPM.

### **3.3 Bureaucracy and Modern Government**

The new approach to public administration found under the umbrella of NPM can be contrasted with Max Weber’s ‘ideal type’ of bureaucracy. In their translation of selected works, Henderson and Parsons (1964, p 4) note that Weber had constructed a “systematic development of not all, but a very important part, of a comprehensive, logically integrated scheme of ‘ideal types’ of social action and relationships”. As a heuristic tool, Weber’s ideal type facilitates contrast with modern public administrations, particularly as ‘modern’ bureaucracy directly precedes the era of New Public Management.

Today many aspects of Weberian bureaucracy still exist in varying degrees in both public and private sectors. Hood and Dunleavy (1994) note the ubiquity of the Weberian form, indicating that it is just another synonym for ‘organisation’. The organising form which Weber conceived has, however, lost much of its sheen to the extent that the word ‘bureaucracy’ now has pejorative connotations. Weber himself was highly critical of bureaucratic tenets. He regarded adherence to rationalised forms of organisation as “disenchanting” (Gerth and Mills 1948, p 155) and, following World War 1, concluded that “the peace will be discredited, not the war... No summer’s bloom lies ahead of us, but rather

a polar night of icy darkness and hardness” (Gerth and Mills 1948, p 128). Weber attributed this hardness to the rise of bureaucratic society through a process of rationalisation. Moreover, Weber noted that bureaucratisation was a potential threat to democracy as it served as a “power instrument of the first order – for the one who controls the bureaucratic apparatus” (Gerth and Mills 1948, p 228).

In developing this ideal model, Weber insisted that it was not an attempt to ‘mirror’ some objectified reality. For Weber, “the only irreducible reality is the infinite, meaningless multiplicity of facts” (Höpfl 2006, p 14). Thus, according to Weber, any attempt to rationalise reality in the sphere of social science through an objectivist lens represents a regress towards positivist reification (Höpfl 2006). So, Weber’s ideas on bureaucratic rationalisation were the result of a constructed reality where an amalgam of political values, societal preconditions and human and organisational factors merge. This ‘ideal type’ therefore represents a constructivist attempt to demarcate the logical limits of bureaucracy in the context of post war liberal democracy (Self 2000). In essence it is a relativistic portrayal which Weber did not distinguish as necessarily desirable. As above, Weber’s sociological commentary transgressed bureaucracy and he eventually became critical of its tenets.

In general, Weber defined any state as “a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory” (Weber 1994). Much like Hobbes and Locke before him, Weber held that such domination was an inevitable aspect of social life. The domination of the ruler over the ruled could be defined, according to Weber, based on a tripartite typology (Mommesen 1989). All governments throughout history could be characterised according to this distinction and acquired legitimacy through them. Thus he posited that domination could be defined in terms of charismatic authority,

traditional authority, rational-legal authority or some combination of the three. Table 3.1 summarises the features of the tripartite typology.

**Table 3.1 – The Three Forms of Legitimate Authority**

Category	Basis of legitimacy	Characteristics
Charismatic authority	Validity of the charismatic leader is based entirely on recognition on behalf of those subject to authority. Trust in the individual is based on what distinguishes the leader from ordinary men, his “revelation, his heroism or his exemplary qualities” (Henderson and Parsons 1947, p328).	<ul style="list-style-type: none"> <li>• Actual competencies and skills of the leader are irrelevant.</li> <li>• Charismatic leadership is irrational in the sense that it is subjective and not bound to intellectually discernible rules.</li> <li>• Charismatic leaders are ‘called’ into existence just as the prophet has his disciples, the warlord has his henchmen and the leader has his followers.</li> </ul>
Traditional authority	Validity of the traditional leader is based on the sanctity of rules handed down from the past. Legitimacy is acquired through personal loyalty to the chief.	<ul style="list-style-type: none"> <li>• Traditions, in part, determine the content of commands from the leader. There is scope for free personal decisions so long as the leader does not overstep traditional limitations.</li> <li>• The leader’s actions are not governed by formal rules as in legal authority. Instead they are governed by principles of “ethical common sense, of justice, or of utilitarian expediency” (Henderson and Parsons 1947, p342)</li> <li>• Loyalty forms the basis of employment. Rational technical training is irrelevant.</li> <li>• Economic relationships are bound to tradition. The formation of markets is therefore obstructed because patrimonial leaders have a tendency to heavily regulate economic activity.</li> </ul>
Rational authority	Validity of the legal-rational leader is based on the societal belief in legal norms which are established on the basis of expediency or rationality or both.	<ul style="list-style-type: none"> <li>• Leaders are ‘typical’.</li> <li>• Members under rational authority do not obey or hold any allegiance to leaders, but only to the impersonal order – the law.</li> <li>• Rules are (usually) set out intentionally.</li> </ul>

In his critique of bureaucracy in post-World War Germany, Weber advocated the first of the three ideal types – a democratic government run by charismatic leaders. This, he argued, would be the appropriate foil to an otherwise pervasive bureaucracy and, in Hobbesian parlance, awestruck constituency. In order for the strongest and most steadfast leader to rise to the top, Weber believed that political competition through a dynamic electoral process was necessary. This political struggle would ensure that only the most qualified leader could emerge as custodian of the public interest. Charismatic authority therefore relies on the perceived legitimacy of an individual leader.

Weber stipulated that only certain individuals were born with the charismatic attributes necessary to achieve political authority and it was their *duty* to realise this attribute: “These (qualities) are such as are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader” (Henderson and Parsons 1947, p 358/359). Unfortunately, and by Weber’s own admission, charismatic authoritarian leadership democracy was always susceptible to decay, not least of all because leaders must necessarily fall and be succeeded. The instability of charismatic leadership democracies would ultimately lead to more routinized forms of bureaucracy. Weber indicates that a movement from charismatic authority to traditional authority and then to rational-legal authority was both an inevitability and a peculiarity of Occidental civilisation<sup>14</sup>. The ideal form of charismatic authority was noted to exist “only in the process of originating. It cannot remain stable but becomes either traditionalised or rationalised, or a combination of both” (Henderson and Parsons 1947, p364). The natural decay of charismatic authority, coupled with certain societal preconditions, would ultimately

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<sup>14</sup> Reference to this movement as a ‘peculiarity’ has received criticism since rational-legal authority was observable in Imperial China and Weber himself makes many references to rational-legal authority in Ptolemaic and Ancient Egyptian societies.

lead to rationalisation. The antecedents of rational-legal bureaucracy include: (i) an increase in size of the physical space and population being governed; (ii) increasingly complex administrative tasks; (iii) the development of a central authority capable of holistic public administration grounded in a stable taxation system; (iv) organisation of a directorate dependent on the central authority and; (v) the existence of monetary compensation as opposed to a feudalistic system where land grants and traditionalist authority were commonplace (Allan 2005).

Once the conditions for this rationalisation are manifest, Weber proceeded to outline six principles which he believed were integral to the operation of the ideal bureaucratic form. Table 3.2 summarises these principles. He believed that, when instituted and applied effectively, these principles would (i) insulate employees from capricious leadership; (ii) allow employees to specialise thereby enhancing efficiency and effectiveness in delivering government services and; (iii) create stable goals thereby allowing employees find creative ways of achieving desired results. Weber's critique of bureaucracy and construction of the 'ideal type' represents an abstraction of archetypal forms. He provides no criteria by which the principles outlined may be unambiguously applied. The principles outlined and the importance which he ascribes to each principle have been described as 'inconsistent', a finding which suggests that Weber's thoughts on bureaucracy can be re-tooled to include any internally consistent characteristic (Höpfl 2006). The organising form which Weber envisioned may therefore be adaptable to contemporary societies, however the significance of the organising form is most noteworthy because of the reversal of many, if not all of its major tenets. These contrasting tenets are detailed in the following chapter. Furthermore, despite the rigour with which Weber constructed this idealisation, many of the tenets outlined may be unattainable or subverted by humans in the process of bureaucratisation.

**Table 3.2: Six Principles of Weber's Ideal Bureaucracy**

<b>Principle</b>	<b>Meaning</b>	<b>Desired Effect</b>
Hierarchical Offices	Each level in the bureaucracy is controlled by the level above and controls the level below it. Lower offices retain the right to appeal decisions made by higher offices.	<ul style="list-style-type: none"> <li>Centralised planning and decision making.</li> </ul>
Rule based performance management	An exhaustive set of rules are specified which govern all actions and decisions. Rules are relatively stable and are executed with consistency throughout all levels in the hierarchy.	<ul style="list-style-type: none"> <li>Supersedes older style administrations where vagaries led to inefficient work practices.</li> <li>Prevents higher offices from arbitrarily changing rules that govern the daily lives of civil servants.</li> <li>Establishes a set of norms to evaluate employee performance.</li> </ul>
Fixed division of labour	Workers are organised into functional units based on the type of work or skillset. Specification of jobs includes details of rights, responsibilities, authoritative scope and duties. These duties cannot be altered by superiors on a whim.	<ul style="list-style-type: none"> <li>Specialisation and consistency of workflow creates greater efficiency.</li> <li>Superiors are unable to arbitrarily assign duties.</li> <li>Internal consistency creates a perception of fairness.</li> </ul>
Merit based employment	Employment on the basis of technical qualification. Employees are appointed, not elected.	<ul style="list-style-type: none"> <li>Supersedes traditional forms of bureaucracy where employees were selected on the basis of their social status or relationship with the leader.</li> <li>Optimises workflow by getting the best person for the job.</li> </ul>
Purposely impersonal	Employees and customers are to be treated equally. Personal differences do not factor into decision making.	<ul style="list-style-type: none"> <li>Fairness through equal treatment</li> <li>Consistency</li> </ul>
Career orientation	Employment in public sector bureaucracy is not fleeting but is rather seen as an opportunity for career progression. Tenure is granted to employees in expectation of a lifelong career.	<ul style="list-style-type: none"> <li>Protection from arbitrary dismissal</li> <li>Creates loyalty</li> </ul>

(Adapted from Henderson and Parsons 1947)

The question of why the tenets of Weber's ideal bureaucracy fell from grace is open to debate. However, it is acknowledged that the inevitability of human interaction in government has the potential to affect the rational-legal bureaucratic form (Henderson and Parsons 1947). During the early 1980s, reformers in the UK and Australia understood this as they attempted to instil a new approach to government, one rooted in managerialism (Zifcak 1994). The managerialist ethos that now pervades many public sector organisations in Australia came to be viewed as the most appropriate foil to the bureaucratic form. It is an approach to public sector management that reflects private sector rationales and is a forerunner to NPM. Attention is now directed at understanding how this ethos emerged in the UK and Australia.

### 3.4 Towards a Managerialist Ethos

As has been stated above, certain conditions led to the rational-legal form of bureaucracy described by Max Weber. Many organisations both public and private have adopted these bureaucratic principles however the conditions outlined above have changed. For the greater part of the previous century the size of governments and scope of activity grew as a result of population increases and a constant and irreversible evolution of economic and social conditions (Self 1985; Zifcak 1994). Whilst the ultimate form of government, the liberal democracy (Fukuyama 1992), has remained steady in Western societies, administrative technologies brought to public service have been reactive<sup>15</sup>. Hood (1995) indicates that any analysis on a nation's propensity for managerialism would be impressionistic based on the frailty and contamination of cross country managerial reform data. Instead he (1995) proposes that these variations may be ideally understood by reference to a nation's 'initial endowments'. That is, the existence of motive and opportunity for change. Within OECD

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<sup>15</sup> Hood (1995) indicates that there is no single way to explain administrative change during the period. Several authors have put forward competing theories (cf. Taylor and Williams 1991; Cheung 1995; Painter 1990; Dunleavy 1986, 1991; Nakano 2000; Fry 2004).

nations he (1995) notes that Westminster models of government, such as the UK and Australia, are most exposed to these conditions. He (1995) argues that the absence of constitutional checks on administrative reform provided the opportunity. The context outlined below provided the motive. It has been argued that this motivation directed reforms in Australia and internationally (Self 1986; Guthrie et al 2003; Olson et al 1998). The following examination of UK and Australian attempts at reform in the 1980s will illustrate a tendency for managerialism and a focus on performance accountability – the antecedents of NPM.

#### **3.4.1 Reforms in the UK: The Financial Management Initiative and Next Steps**

In the UK the push towards improved public management waxed most notably in the early 1980s. This was the result of a combination of contextual factors which Zifcak (1994) defines as economic, social, political and administrative. The UK context is outlined to gain an understanding of the historical setting from which Hood's (1991) descriptive work on NPM emerged.

In contrast to the positive economic context in the 1960s, the 1970s saw increasing inflation and unemployment levels not seen since the Great Depression. In 1975 former US Secretary of State Henry Kissinger noted that "Britain is a tragedy... it has sunk to borrowing, begging, stealing until North Sea oil comes in" (cited in Hannan 2011, p 18). The immediate response was to decrease taxes to provide incentive for investments and decrease public expenditure in the areas of education, public housing and social security. These decreases in public expenditure focussed on cuts to civil service pay (Cmnd 7866, 1980).

The social context at the time reflected an inversion of Keynesian interventionist rationales. Keynes proposed that government intervention was necessary to "mitigate the effects of unbridled market power on the poor and disadvantaged" (Zifcak 1994, p9). Hayek (1988)

acknowledged this role but noted that the expansion of the state was a disturbing feature of modern government, the effects of which were to subvert individual liberties and weaken the role of Parliament. Furthermore, public choice theorists such as Niskanen (1973) argued that bureaucratic methods had incentivised slackness. His argument was based on the fact that the nature of public services was unlike those in the private sector: the absence of competitive forces – where goods would not be supplied if costs outweighed benefits – was argued not to be deterrent to the provision of public sector goods. This gave rise to the societal view of the bureaucrat as a ‘budget maximiser’. That is, the bureaucrat was regarded as wasteful because their prosperity increased, regardless of costs, so long as budgets increased. Public sector management was criticised in this context and private sector managers were brought in to act as consultants. This represented a broad shift in attitudes. In the UK previously concreted bureaucracy was replaced by the free market as the benevolent societal arbiter (Zifcak 1994).

In the political arena, Margaret Thatcher was elected in 1979. Her fervour for public sector reform and the elimination of wasteful practices led to her being given the apt title of the ‘Iron Lady’. She vowed to resurrect efficiency through the application of stringent policies on: (i) the moderation of civil service power, particularly by attacking civil service unions; (ii) employment of fresh, managerially focused individuals who possessed strategic direction; (iii) cuts to civil service which were both imperative from an economic/social perspective and symbolic from a reformist perspective; (iv) the adoption of private sector rationales to enhance efficiency; and (v) the elimination of public sector organisations which were deemed to be focused on survival rather than efficiency (Stelzer 1992). The uptake of these policies was influenced significantly by the adaptation in the public sector of ‘accountable management’, an approach which found favour originally at General Motors. Accountable management stressed the creation of autonomous units whose outputs could be compared

with costs. Zifcak (1994, p 12) notes that these units were to be created “wherever measures of achievement could be established in quantitative or financial terms and where individuals could be held responsible for output and cost”. Accounting, in its role as an arbiter of financial information and facilitator of performance measurement, thus became inextricably linked to public sector reform in the realm of politics.

In the administrative context, government White Papers such as the Fulton Report (Cmnd 3638, 1968) argued that bureaucratic methods set in place by previous governments lacked strategic direction and neglected business management. This reinforced the introduction of business style management practices.

Attempts to introduce managerial reforms were met with difficulties. Self (1986) notes the distinction between running an organisation and running a country and points out that attempts at managerial reform were unable, in the early stages, to reconcile this difference. Despite these difficulties the push towards managerialism in public administration progressed. The culmination of these ideals in the UK was the introduction of the Financial Management Initiative (FMI).

The FMI was the Thatcher government’s initial response to recommendations put forth by the Treasury and Civil Service Committee which stressed that ministers should be more responsible for the effective management and performance of their departments. To this end, it was recommended that better management information systems should be introduced to facilitate this role and managerial authority be decentralised as far as possible to operational levels (HC 236-I, 1981/82). Reflecting on the changing nature of public administration, Sir Peter Middleton noted that “‘Management’ is a much better word (for administration); it

captures the essence of what one is after” (HC 61 1987/88, para 176). Disparate propositions have been put forth on the causes of the FMI (See for example Fry 1984; Keegan 1985; Plowden 1985; Metcalf and Richards 1987), however this background is intended only to outline the major components, successes and failures of the reform schedule.

The FMI was launched on 17 May 1982. It prescribed a system of public management which diverged significantly from the principles espoused by traditional forms. Traditional public management emphasised the delivery of quality service and a focus on accountability for inputs while being relatively unresponsive to costs (Wilding 1983). In contrast, the FMI sought to instil a system which emphasised measurement and scrutiny of outputs wherever possible, value for money and a particular focus on costs (Cmnd 8616 1982, para 21). This new approach paralleled the principles of ‘accountable management’. From an organisational perspective the features of accountable management include: (i) collaboration of management and staff in establishing objectives; (ii) performance appraisal based on these objectives; (iii) communication of objectives to respective levels within the organisation thereby providing direction for action; (iv) clarification of individual manager’s authority to make decisions about the allocation of scarce resources, supplemented with the mandate to make decisions commensurate with the obligation to do so; (v) the introduction of a comprehensive information system which delineates responsibility and enables all levels of managers to assess and modify their performance; (vi) the division of the organisation into managerial units and associated cost centres each of which is responsible for the attainment of a clear set of objectives; and (vii) the existence of an external audit body to oversee the use of organisational resources (Flynn et al 1988, p171; Zifcak 1994, p28).

Not surprisingly, official government assessments of the FMI and the new managerialism were favourable (cf. Financial Management Unit 1984a, 1985a; Cmnd 9297) but a major stumbling block emerged in the disparity between ministerial duties and managerial duties. Hence despite the rhetoric in Parliament that the FMI would succeed because ministers would take a personal interest in management, other commentaries suggest that such interest was variable:

“Ministers don’t actually give a toss about management because they don’t understand or know anything about management in our system... (Michael Helestine) doesn’t want to know and why should he? He’s got plenty of work to do with politics.” (Deputy Secretary cited in Zifcak 1994, p 35).

Testimony such as this implied that the closer a civil servant was to the political process the less they cared about management. The ample amounts of quantitative information coming out of the new management information system<sup>16</sup> therefore did nothing to augment policy design. The upshot was that the most significant gains could be made at operational levels.

To achieve efficiency gains at operational levels, delegation<sup>17</sup> of budgetary responsibility seemed a necessity. According to Cassels (1983) there existed no incentive for cost savings if operational managers had no say in the resources they were entrusted with. Therefore, distinct management units and new lines of accountability should be created and budget holders of individual cost centres should be appointed. This would result in a budgetary system where it

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<sup>16</sup> The management information system for Ministers (MINIS) was introduced after recommendations by Michael Helestine whose background was in private sector management. MINIS was intended to reveal costs associated with entire departments thereby giving ministers the information needed to make informed economic decisions (Likerman 1982).

<sup>17</sup> Budgetary delegation is defined as the transference of money to a cost centre and the decentralisation of authority (authorisation to spend or otherwise approve projects related to expenditures without authority from a governing body). In the context of the public sector, examples of delegation occur between the Treasury and its departments, within departments or from departments to operational managers. The delegation of budgetary responsibility to NSW public school principals is an example of the latter of these three. Further delegation can occur such as the delegation of responsibility from a school principal to a subject coordinator and so on.

was “convenient and practical to identify the costs of resources being consumed and put an obligation on the manager not only to achieve the output expected but also to control his costs and keep them to a minimum” (Cassels 1983b in Zifcak 1994, p47).

In the UK the push towards managerialism continued with ‘Next Steps’. This program had intended to understand the concerns of civil servants before impressing significant changes. Initial reports pointed towards similar tension between ministerial short term responsibilities and managerial long term evaluation of programs. Its goals were similar to the FMI but it altered its gaze, choosing to focus more on operational levels of management. Next Steps proposed a small core of operations for the central civil service and it proceeded with a ‘small is beautiful’ rationale for all public service organisations. Decentralisation was to continue and fresh impetus was given to budgetary delegation. Again the Treasury feared that it would lose control of public expenditure however, unlike the FMI which proposed delegation from the Treasury to departments, this time emphasis was placed on delegation from Departments to agencies and operational managers. In this light, Next Steps was thrust into the public domain where its psychological and cultural impacts were probably more significant than the practical changes it proposed (Zifcak 1994). The managerialist ethos filtered through Whitehall and the seeds of NPM had begun sprouting.

### **3.4.2 Reforms in Australia – The Financial Management Improvement Program and The National Competition Policy**

In 1983 an Australian Commonwealth official government report on the efficiency and effectiveness of public services was issued (Cwlth 1983a). It was chaired by a prominent private sector businessman John Reid. In light of a contracting economy and an ever expanding public sector, Reid proposed that significant benefits could be derived from

private sector managerial practices particularly by devolving managerial authority and creating greater responsiveness to costs at all levels.

The Financial Management Improvement Program (FMIP) (Cwlth 1983b) was issued in response to this report and proposed three significant changes: (i) the introduction of new budgetary and staffing techniques which emphasised devolution of decision making authority to enhance management practice; (ii) the introduction of new management systems that allowed departmental and agency managers to pay closer attention to costs. To signify the importance of cost reduction the FMIP also introduced an efficiency dividend of 1.25 per cent for all agencies. Savings would be incentivised by allowing departments to keep any scrapings over and above this target; and (iii) the introduction of personnel systems which provided greater autonomy to existing managers and encouraged strategic vision (Beale 1985, p 376).

In 1988 a report was conducted into the progress of the FMIP (Department of Finance 1988). Whilst devolution had progressed from the centre to departments, the report found that devolution of responsibility to lower tiers of management had been met with some resistance. This was mainly because managers lacked the requisite skill to undertake their new roles and saw the additional tasks of resource management as a hindrance rather than an opportunity (Zifcak 1994).

A subsequent review of the FMIP entitled 'Not Dollars Alone' gave strong support to the FMIP indicating that "the program is about freeing up bureaucratic processes to give public sector managers greater scope and flexibility to manage resources effectively and efficiently" (House of Representatives Standing Committee on Finance and Public Administration 1989/90, p xi). As the title suggests however, 'Not Dollars Alone' proposed that the next phase of the FMIP should direct greater attention to the effective delivery of programs instead

of an acute focus on efficiency and cost reduction. To this end it was recommended that better management systems be introduced to facilitate performance evaluation and that the oversight role of parliamentary committees should be enhanced by focussing more on effectiveness issues. Without these enhancements the Australian public sector would suffer from inadequate accountable practices. Moreover, the review indicated that the focus on managerialism and savings, such as those embodied by the efficiency dividend, jeopardised other important aspects of public service such as probity, fairness and ethical behaviour (House of Representatives Standing Committee on Finance and Public Administration 1989/90). The Standing Committee thus made two broad recommendations to departments: (i) give high priority to devolution of the running costs system; and (ii) place greater emphasis on identification of results to be achieved with given resources to enable managers to link decisions about resource allocation to outcomes.

Much like the FMI, reforms to management practices in Australia represented mimicry of private sector rationales. The FMIP had reversed traditional notions of accountability that had endured since Australia's foundations in 1788 (Funnell and Cooper 1998). At the outset of the FMIP, and with subsequent phases of reform, the focus on legal accountability for inputs entrusted to the civil servant shifted to performance accountability. 'Managing for results' (Keating 1988) became an apt descriptor of the change in management style.

The development of evaluation techniques therefore became a salient issue, particularly following two changes to the budgeting system. Firstly, forward estimates on a program basis would be reconciled with outlays identified in Budget Paper No. 1. Secondly, accompanying notes would, theoretically, allow resource inputs to be compared with program outcomes thus creating a baseline for efficiency measurement. Significant positives could be derived from these changes. The creation and evaluation of performance targets on a program basis and their presentation to Parliament would enhance Parliamentary accountability, improve policy

design and augment the role of the Senate Estimates Committee (Baume 1990; Campbell and Halligan 1992). When performance measures were established and communicated, it was also proposed that enhancements in efficiency would trickle down and be incentivised at the level of management (Zifcak 1994). However, the nature of public services meant that there would always be difficulty associated with quantifying outputs, and particularly outcomes. Hence, the establishment and utilisation of performance measures was problematic (Pollitt 1986a, 1989; Carter 1988; Funnell et al 2012). Scholarly work on performance accountability generally and its application to the public sector specifically has recognised this complication and is examined reflexively in Chapter Seven of this thesis.

In 1992 the National Competition Policy (NCP) emerged as the next stage in Australian public sector reform. Following the demise of the Hawke government, Prime Minister Paul Keating enlisted Professor Hilmer to head an independent committee aimed at producing “guidelines that determine the nature and extent of competition and the ways in which possible conflicts between the results of competition, economic efficiency and other social goals are to be handled” (Hilmer 1994, p xii). The reform schedule had taken aim specifically at dissolving the limits to competition that existed because of constitutional ambiguities between state and federal governments. All public sector commercial activity would therefore be placed within the purview of the Trade practices Act 1974. In so doing, barriers to public sector competition were reduced. Hilmer believed this was a necessary precondition to enhance efficiency in the public sector.

Whilst impetus for competitive reform in government moved to the fore, complications associated with competition in government were acknowledged. For example, the third consideration above is qualified in the first chapter of the Hilmer Report where it states that competition policy, “seeks to facilitate effective competition in the interests of economic efficiency while accommodating situations where competition does not achieve economic

efficiency or conflicts with other social objectives” (Hilmer 1994, p 6). Furthermore, when outlining the principles upon which competition policy should be founded, the Hilmer Report, based on agreements by all Australian governments<sup>18</sup>, lent rhetorical credence to these difficulties. The Principles for a National Competition Policy are outlined in Table 3.3.

The presence of such qualifications throughout the Report indicates at the very least an inherent danger in attempting to bring public sector practice in line with private sector managerial attitudes. This is acknowledged by the Trade Practices Commission which accepted that regulation was necessary where unhindered competition does not result in desirable social or economic outcomes (TPC Discussion Paper 1990). While the elimination of barriers to competition had the potential to enhance public sector financial management practice, the nature of the two sectors meant that certain factors, such as social objectives, could not be ignored. This is illustrated in the following paragraph which provides a brief analysis of the Principles for a National Competition Policy.

**Table 3.3 – Principles for a National Competition Policy**

a) No participant in the market should be allowed to engage in anti-competitive conduct against the public interest
b) As far as possible, universal and uniformly applied rules of market conduct should apply to all market participants regardless of the form of business ownership
c) Conduct with anti-competitive potential said to be in the public interest should be assessed by an appropriate transparent assessment process, with the provision for review, to demonstrate the nature and incidence of the public costs and benefits claimed
d) Any changes in the coverage or nature of the competition policy should be consistent with and support the general thrust of reforms: <ul style="list-style-type: none"> <li>• To develop an open, integrated domestic market for goods and services by removing unnecessary barriers to trade and competition; and</li> <li>• In recognition of the increasingly national operation of markets to reduce complexity and administrative duplication</li> </ul>

(Source: Hilmer1994, p 17)

<sup>18</sup> See Communique of Premiers and Chief Ministers’ Meeting, Adelaide, 21-22 November, 1991.

Section 'c' is most noteworthy in illustrating the inherent dangers mentioned above. It represents an acknowledgement on behalf of an independent committee that the public interest cannot be wholly integrated into a free market involving the public sector. Section 'd' contains no qualifier *per se*, but it does offer scope for change in the NCP thus pointing to potential ephemera in the nature of public sector competition. Whilst far from definitive, there exists some dissonance between two beliefs here – that of the free market proponents and interventionists.

Although the pitfalls of private sector rationales lurked both hidden and overt within the reformist discourse, the NCP had provided fresh impetus to the managerialist ethos. If the public sector was to be converted from an 'Australian Mandarin' into a lean and effective machine, management at all levels would have to strive towards commercial principles espoused by the private sector (Hoque and Moll 2011).

Ernst (1999) notes that the NCP not only provided the grounds for a renewed focus on competitiveness within the public sector but was also a signifier of broader reforms. He mentions that wider changes included (i) a transformation in the culture and remodelling of the public sector that would reflect the *imperatives of business*; (ii) institutional restructuring which emphasised the promotion of market conditions and 'competitive neutrality', and the rearrangement of government units, specifically with regard to public utilities, into discrete competitive businesses; (iii) externalisation of social factors thus distinguishing them as social obligations rather than 'core business functions'. This would involve a utilitarian approach to service provision which stressed the importance of contractual arrangements; and (iv) creation of more flexible practices in human resource management which would lead to the contractualisation and casualization of public sector employees.

This brief overview of reforms within the APS during the 1980s and early 1990s has presented several themes. It was noted that the push towards managerialism has been an enduring goal. Associated enhancements to the competitive environment have represented further attempts to bring public sector practices in line with business practices. Taken together, these reforms have created a decentralised and commercialised APS which now places significant emphasis on performance accountability (Dixon et al 1996). The aspects of a reformed public sector including managerialism, competition, contracting and performance accountability represent the precursors to what Hood (1991) described as New Public Management.

The next section will seek to drill down into this broad reform schedule and elucidate the initiatives within the federal and NSW public educational environment. The recommendations outlined below are factors that are contextually relevant to the present study and illustrate the propensity for managerialism and NPM.

### **3.5 Recommendations and Reforms in Australian and NSW Public Schools, 2007 - 2013**

Unlike the broad financial reforms outlined in Section 3.4 which demonstrated a predilection for managerialism in the Australian and UK public sectors during the 1980s and 1990s, the reforms outlined below apply directly to the researched organisation and time period for the study and are therefore deemed to be relevant contextual factors. They not only provide contextual specificity but are informative devices from the perspective of Giddens' theory of structuration. This theoretical interpretation tethers the practice of accounting to specific interest groups in the social and political arenas. Contextual factors are therefore deemed to be significant because they illuminate "how organisational and social actors make accounting purposive" (Burchell et al 1980, p 22). To this end, several contextual factors manifesting as official government reforms are now identified and explained. The order in which they are

introduced has no bearing on the overall interpretation. That is, each contextual factor has a role to play but none are subsumed by or are considered more influential than another unless otherwise stated.

### **3.5.1 The Gonski Report**

The Review of Funding for Schooling Final Report (Gonski et al 2011), otherwise known as ‘The Gonski Report’ or simply ‘Gonski’, is a review initiated in 2010 by the then Federal Minister for Education, Hon Julia Gillard MP. The review was chaired by prominent Australian businessman, community leader and philanthropist David Gonski. The review received enormous public interest and holds the view that, “proposed funding arrangements outlined in the report are required to drive improved outcomes for all Australian students and to ensure that differences in education outcomes are not the result of differences in wealth, income, power or possessions” (Gonski et al 2011, p xi).

National policies since the election of the Federal Labor Government in 2007 have propped up the neo liberal approach to education (Kenway 2013) and this has resulted in ‘testing times’ for students of disadvantaged background (Lingard 2010). Use of the word ‘testing’ appears apt since the NSW government places great emphasis on NAPLAN and the ‘My Schools’ website which posts comparative test results for all public schools. These are tools for the assessment of schools and comparison by external parties, but the federal government has also sought to provide a measure of equity in public schools by stressing the need for quality outcomes and accountability (see Gillard 2012). In many cases however, comparability and equity are conflicting propositions because the provision of choice for parents allows for segregation of students on the basis of socio-economic background and this creates greater inequalities in education (OECD, 2012). Hence while considerable rhetoric is imparted on the concepts of equity and accountability, Gonski seeks to redress these issues by examining current funding arrangements and how they hinder equality in

Australian public education. Considerable amounts of data linking advantage and disadvantage with educational success and failure are tabulated. These data illuminate issues of educational inequality across sectors, ethnic background and geographical areas. Areas of disadvantage are particularly noticeable in public schooling and demonstrate that significant funding is required in this sector.

Gonski stresses comparative, economic and moral imperatives. Thus, while Australia is noted as an above average OECD performer in education and has improved its rating since 2006<sup>19</sup>, it is argued that Australian education must catch up with international standards, be competitive in delivering services to students and provide equal access to quality schooling for all Australian children. To date the Australian public education system has not maintained these imperatives. Kenway (2013, p 288) notes that Gonski “provides stark evidence and a nationally humiliating reminder that Australia does not have a high performing education system as it does not combine quality with equity.”

Gonski indicates that current funding arrangements are too complex, overlap and lack coordination and this has impacted negatively on the provision of equitable and high quality education. Furthermore, the socio-economic funding model is deemed to be based on an outdated average cost measure where there is no consideration of full costs for providing education at a level deemed adequate by the OECD.

Gonski proposes several recommendations: (i) significant increases in funding are required, particularly for the public education (government) sector; (ii) funding arrangements must be balanced between state and federal levels to redress the divisive nature of current funding

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<sup>19</sup> The Programme for International Student Assessment (PISA) indicates that the Australian system was ranked sixth in English, thirteenth in maths and eighth in science out of a total of 56 countries ranked in 2006. These numbers had improved to sixth, ninth and seventh respectively in 2009 (PISA 2009).

arrangements<sup>20</sup>; (iii) recurrent funding, i.e. annual funding from the public purse, should be based on a new standard which allocates funds on a per student basis, is based on resources actually utilised in benchmark schools, is indexed to adjust for increases in costs and is periodically reviewed; (iv) an additional loading amount should be included for students in low socio-economic areas and those with disability; (v) governments should facilitate philanthropic contributions of time, money and expertise where currently these arrangements are inadequate; (vi) greater transparency, accountability and coordinated planning be introduced to manage new and existing infrastructure projects; and (vii) systems of funding, particularly at the departmental level, should be made publicly accountable (Gonski et al 2011).

As with any significant public document there are detractors. Kenway (2013), while staunchly supporting the overall findings, demonstrated some of the methodological weaknesses of Gonski's quantitative analysis. Furthermore, she (2013) showed that Gonski under-recognised some subtle relationships and chose to focus on disadvantage rather than showing how the advantaged might alter their practices to facilitate equity in public education.

Among the detractors there are also those who would advocate a market model for public education. Donnelly (2012) for instance, notes that Gonski failed to acknowledge the benefits of the market model and private schooling. He mentioned that the failure to laud the market model was 'unsurprising' since two of the committee members, Carmen Lawrence and Ken Boston, are supporters of increased government intervention in public education. This criticism appears to be a stretch since the committee's chair, David Gonski, is recognised as a

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<sup>20</sup> Currently the federal government is the primary funder of private schools whereas the state government is the primary funder of public schools.

stalwart of business and also attended Sydney Grammar School which was, at the time, recognised as one of the finest schools in the NSW private education sector.

The recommendations put forth by Gonski have been at the forefront of public and academic debate and have featured prominently in the media. Gonski has also been a catalyst of industrial action. This indicates that Australian students, parents, teachers and unions have taken a great interest in seeing an improvement in public education. The campaign entitled ‘Give a Gonski’ was pushed into the public arena in June 2012 when the NSW Teachers Federation (NSWTF) conducted a full day strike to show support for The Gonski Review and protest the NSW government’s devolutionary education reform policy entitled Local Schools Local Decisions (see section 3.5.3). This unprecedented action signifies that, if the policies of the Liberal state government are to be forced through, then some kind of circumvention, appeasement, compromise or otherwise must be made through politically expedient channels.

### **3.5.2 Empowering Local Schools National Partnership**

The Empowering Local Schools National Partnership (ELSNP) is a federal initiative consisting of two phases. The first phase was initiated in February 2012 and is expected to be completed in 2014. This phase takes the form of a pilot test while the second phase reviews the results of the first and seeks augmentations, addendums and amendments. As a Commonwealth requirement, evaluation in the second phase will be conducted by the Australian Council of Educational Research (ACER). This will involve surveys, focus groups and interviews with principals, limited case studies and consultancy with parent and teacher bodies such as the NSWTF. The broad aim of the ELSNP is to “empower participating schools to make decisions at a local level, supporting them to better respond to the needs of students and the school community and provide services designed to assist their students to achieve their best educational outcomes” (NSW 2011b, p3). Of the one thousand participating schools around Australia, there are 229 located in NSW.

Phase one consists of a one off grant of between \$40,000 and \$50,000 to participating schools. According to the Commonwealth guidelines there are three main focus areas on which these funds are to be spent. More flexible decision making in these areas is expected to augment student learning: (i) Governance – strategic decision making based on local conditions and context. Improvement in decision making with regard to school operations including input from parents and the community; (ii) Funding and infrastructure – including the freedom to allocate resources in areas deemed necessary by the school, asset management, planning and maintenance; (iii) Workforce – granting freedom to choose an appropriate workforce mix of financial, performance management, teaching and support staff.

The DEC also identifies two requirements related to planning and monitoring for schools participating in the ELSNP. Firstly, schools must utilise available and appropriate consultancy to adjust and adapt to the increased flexibility granted by the ELSNP. Secondly, schools must adhere to the new regime of accountability that came with implementation of the ELSNP. This second requirement is achieved by utilising the templates, tools and support offered to participating schools by the LMBR program and the DEC. The LMBR program (discussed below) entails a significant departure from traditional methods of administration and thus places significant strain on the capabilities of schools. The ELSNP recognises this burden (NSW Public Schools 2012) and offers support mechanisms to cope with this increased stress. This support involves participation from experts and support networks (potentially newly created) to enhance management learning within schools as well as involvement from the ELSNP and LMBR teams. Schools will also be given access to new services under LMBR which will streamline planning, financial management, student administration and reporting (NSW Public Schools 2012) and will be granted an annual sum to train existing and new financial management staff.

Coupled to this new accountability regime are requirements for reporting schools' progress under the ELSNP. Thus schools must complete surveys, upload a copy of the School Plan on their website, include information on how schools expended ELSNP funding in their annual reports and provide information on local initiatives.

The ELSNP is not a small initiative and substantial effort has been expended as evidenced by the array of official government documentation and information for parents, teachers and principals. The ramifications for those schools participating in the first phase are not yet completely known, however it is conceivable from the above discussion that whilst there will be increased emphasis and duties with respect to accountability and budgetary mechanisms, principals will be well pleased with the enhanced autonomy. Within NSW the ELSNP is closely tied to Local Schools, Local Decisions (LSLD) and supported by the LMBR program. Indeed, these state government initiatives are most salient when discussing devolved decision making and budgeting in NSW public schools.

### **3.5.3 Local Schools, Local Decisions**

The NSW system is one of the most centrally run education systems in the western world. As a leader in managerialist and neo liberal reforms (Pollitt 2003; Smyth 2008), Australia may therefore be considered slow in its uptake of the highly romanticised decentralist perspective when compared with other countries such as the USA and UK. The state of NSW may also be considered a laggard compared with other Australian states such as Victoria and ACT who are noted as being pioneers, at least within Australia, of devolved systems for school management (Zhixin et al 2005). The NSW education reform entitled Local Schools Local Decisions (LSLD) (NSW 2011b) is spearheaded by the DEC and the Minister for Education Hon Adrian Piccoli and represents this government's attempt to conform to the belief that, "relief from stultifying mediocrity lies in deregulation and local control of schools"

(Timarand Kirp 1988, p 75). Information contained on the DEC website parallels this belief.

The department outlines its policy succinctly on the LSLD homepage:

“We are giving teachers and principals more authority to adapt what they do and how they do it. This means giving schools greater freedom to make decisions about how to use the money we spend on public education” (DEC 2012).

Despite the ‘they’ and ‘we’ mentality in the above quote, the department is seemingly committed to achieving better outcomes for students in public education through devolutionary policy. This is evidenced in the multitudinous array of discourse surrounding LSLD on the DEC website, some of which was analysed in Chapter Two, Table 2.1 and 2.2 (see also DEC 2011). Broadly speaking, LSLD is the NSW government’s attempt to align with federal policy. At the federal level, the ELSNP initiative funds and supports participating schools in making local decisions. This reform schedule is currently in the pilot stages with up to one thousand schools involved around the country. The rationale of the federal and state educational reform packages is that empowerment of local schools will lead to improved student outcomes. LSLD outlines five aims through which improved student outcomes can be achieved.

- First and foremost, LSLD aims to give decision making authority back to local schools and particularly school principals who “are the people best placed to bring together the local schools community, listen to them, and then make important decisions about how best to use the school’s resources to maximise the benefit to students” (DEC 2011, p 4). Accountability to the community is stressed, particularly with regard to the management of resources. Operating budgets are implied as the mechanism through which sagacious use of resources can be achieved (DEC 2011). The first goal could be thought of as a ‘cover all’ and broad description of the underlying agenda.

- The second aim explicates the link between good decision making and budgetary devolution. Schools will be given a greater percentage of control over resources, including decisions over staffing, and will be given a single overall budget amount instead of segmented program budgets.
- The third aim seeks to reverse the ‘one-size-fits-all’ approach to staffing. It is argued that devolutionary policy will allow principals to make better decisions relating to the specific challenges and needs of the local school and respond with an appropriate staff mix.
- The fourth aim stresses cost. Granting authority over maintenance and purchasing decisions will allow schools to seek value in hiring local businessmen and tradespeople. Similarly, by granting authority over decision making, schools will be able to combine and share resources (curriculum delivery, facilities, staff etc.) thereby creating greater cost savings and strengthening communities.
- The fifth aim stresses efficiency and effectiveness. Granting authority to schools, it is argued, will cut red tape and allow the most knowledgeable people to make apropos decisions.

Eacott (2011) notes that the argument for devolutionary policy, where localised decisions will result in improved outcomes, maintains a common sense justification, but the debate over devolution lacks a critical and sociologically informed perspective. He (2011) notes that the discursive nature of reforms presents opportunity for governments to engage in rhetorical exercises to legitimise their actions. Indeed, Hartley (2004) notes that much criticism of devolutionary policy centres around the argument that rhetoric negates reality. Having been graced with social contract, government is well placed to do this since it has “control over mental production, so that the ideas of those who lack the means of mental production are subject to it” (Marx and Engels 1947, in Neuman 2011, p 110) In the case of successful

legitimation Eacott (2011) indicates that such a reform package could be a Trojan horse used to wrest power back from schools and service the government's expedient ends. Eacott (2011, p 76) illustrates the confounding nature of the current reform schedule where he mentions:

“The call to roll out school autonomy comes at a time when we have a forthcoming national curriculum to compliment a national testing regime... There is an inherent goal of standardising the educational product in the country so any degree of autonomy that a school has is substantially stifled by existing policy.”

As has been mentioned earlier, LSLD has been the source of much friction between the NSWTF and the NSW state government<sup>21</sup> resulting in industrial action taken in June 2012. I attended this strike to gain a better understanding of the arguments presented and gauge the feelings of those involved. Across the state there was standing room only in town halls and other meeting places with an atmosphere that could best be described as 'passionate'. The NSWTF posited a less intellectually elegant argument than Eacott (2011) but nonetheless maintained professionalism in delivering their perspective and gave a pithy outline of the main arguments. As has been stated earlier, it is the edification, resources and professionalism of this organisation that allowed it to deliver a rhetorical counterpunch to the Liberal government's policy agenda. Central to the NSWTF argument against LSLD is the fact that this reform goes against the Principles of Public Education (see *Education*, Volume 72, Number 11, 29 July 1991: front page) and puts student outcomes in jeopardy.

Of the more salient arguments, the NSWTF indicates that LSLD is a façade and its real aim is to reduce funding for public schools thereby creating a budgetary surplus. Media releases and education journals have tended to concur with this view. Zadkovich (2012), for instance, indicates that “Devolution is the great con of school education policy around the world, and

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<sup>21</sup> It must be noted that the LSLD was initiated by the previous Labor government so appears to have bi-partisan support.

few school systems have successfully resisted it.” If cuts to expenditure follow through then there will be ramifications for those on the front line, namely teaching staff. The NSWTF argues that permanent positions will be lost to less expensive temporary and casual/contract staff. Similarly, the positions of many support staff and non-core staff such as librarians and elective subject teachers will be jeopardised.

These shifts and cuts have flow on effects to student outcomes. Experienced teachers possess skill in delivering education and non-core staff provides support for students. Each role contributes to student outcomes. As previously mentioned, the problem is exacerbated by research which shows that the quality of entrants into teaching ranks appears to be declining (Leigh and Ryan 2008). If public school budgets are cut then principals may acquiesce to the demands of their new managerial roles. Accounting plays a pivotal role in this restructured system where a focus on student needs is subsumed by budgetary asceticism and business style management.

#### **3.5.4 The Learning Management and Business Reform Program**

The NSW government has apparently fallen on tough times, or perhaps more aptly, committed itself to returning the state budget to surplus by 2016. As indicated in the budget 2012-2013 (NSW 2013), much of the hardship has resulted from revised GST estimates which indicate that the NSW government stands to lose \$5.2 billion in GST revenue over the next four years. To cope with these times of fiscal restraint many government departments have been given a mandate to reduce costs and create greater efficiencies. The DEC is not immune and there are numerous media releases on the DEC website indicating that this department is seeking cost savings at all three levels of education (primary, secondary and tertiary). Hence despite an increase in the education budget of \$380 million, the DEC has committed itself to this mandate by “reducing staff, working more efficiently within reduced

operating budgets and increasing revenue from fees and services” (DEC 2012). LMBR seeks to combine efficiency gains with staff reductions to service these ends (DEC 2012).

The DEC introduced LMBR as an eight year program in 2008. Since it was announced that the LMBR program’s implementation of SAP had slipped by \$57 million, the DEC employed the IT services firm Accenture (amongst others) to assist with the rollout in 2012. Accenture’s role as a ‘transformative service provider’ will primarily revolve around the transition from OASIS to SAP systems. SAP will come to replace all finance, human resource, payroll and student administrative systems in public schools<sup>22</sup>.

From the perspective of this research, the most significant change associated with the transition to SAP is the movement from cash to accrual accounting. Many SAMs are noted as being parents who have very little experience in financial management and accrual accounting. The current system, OASIS, is an old dos based system. It has been described as a useful stewardship mechanism (examined further in Chapter Six) but doesn’t offer the information required to make informed managerial decisions. With the implementation of SAP, each school will have a tailored user interface (UI) which will provide for the specific needs of the school. The tailored UI is also intended to make SAP less intimidating for those who haven’t used it before. The unique practices and accounting technologies currently used in public schools will be described further in Chapter Five.

Currently schools generate their own reports and perform other administrative and ancillary accounting tasks such as bank reconciliations. As schools move ahead with LMBR all functions such as these will become centralised. Schools will also merge their bank accounts into one which will be overseen by the DEC. The NSW Education Minister, Adrian Piccoli,

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<sup>22</sup> The implementation of SAP in public schools is an ongoing task which will involve input from School Administration Managers, experts and principals. LMBR is currently in Phase One of operations. Phase one includes the rollout and testing of SAP in 229 NSW public schools. The first phase of LMBR focussed also on tertiary level implantation. TAFE colleges Australia are now using SAP systems.

has indicated that administrative cuts, which were also agreed to by the previous state government, would be made as a result of 'efficiencies' resulting from this centralisation and eight year rollout of SAP to be completed in 2015-2016. The goal will be to cut the equivalent of around 400 administrative staff positions thereby creating considerable savings and allowing the NSW government to meet its 2015-2016 budget targets (DEC 2012).

The NSW Public Services Association (NSWPSA) conducted a report on the implementation of LMBR in NSW public schools (NSWPSA 2012). The conclusions of this report were at odds with the department's position. The DEC indicated that, under LMBR, school administrative positions would be protected, SAMs would not have to do work for which they were not paid and SAMs would be given the opportunity for training and career progression. The NSWPSA disagreed noting that, "the government and the department have used the introduction of LMBR as an excuse to cut 400 SAS staff jobs" (NSWPSA 2012). The NSWPSA also indicated that business managers performing similar roles are more highly paid and have considerably greater opportunity for career progression. The NSWPSA argues that SAMs are therefore being forced to do work for which they are not skilled enough to perform and are not being paid to do. The NSWPSA thus stands in direct opposition to LMBR. Their report indicates that there must be no job cuts, casualization or increased workloads and that there must be proper training and pay rates commensurate with the work being undertaken. The analysis conducted in Chapter Six of this thesis will involve field research to better understand the impact of accounting reforms since the inception of LMBR.

### **3.6 Conclusion**

This chapter presented an account of three normative theories of the purpose of government and illustrated how these theories have been subsumed by debate concerning the optimisation of administrative function. To attain this efficient form, governments in liberal western democracies since the end of World War 1 underwent a process of rationalisation and thus

adhered to many of the tenets of bureaucracy as originally conceived by Max Weber. However, it was shown that recent government reforms during the 1980s and 1990s, such as the FMI in the UK and the FMIP and the NCP in Australia, began to steer these governments away from bureaucratic rationalisation towards a less rigid form which Zifcak (1994) termed 'new managerialism'. More recently, this managerialist ethos has become noticeable in government reforms relating to NSW and Australian public schools. Several of these reforms were outlined. These reforms are relevant to the current study because they illustrate a tendency for managerialism within the NSW public sector. Thus an environment has been created where efficient practices and the optimisation of public services have become mandate. In particular, LSLD and the LMBR program have set the stage for a transition to NPM principles in NSW public schools. The antecedents of NPM are there and it is towards this concept that the next chapter now turns.

## **Chapter 4**

### **NPM Antecedents and Literature Review**

#### **4.1 Introduction**

The previous chapter offered a philosophically informed background to government and public sector operations. As has been mentioned, recent reforms over the last three decades have sought to instil a managerial culture in place of rigid bureaucracy. Reforms to NSW public schools, whilst still in their fledgling stages, have also set a business tone within these organisations. It is still too early to conclude whether NPM practices have permeated these organisations and whether they have augmented operations, however the seeds of NPM are there. The purpose of this chapter is to establish a working definition of NPM and investigate a cross section of the literature relating to its application within public sector organisations. Contextual literature will be particularly relevant because the present study will drill down into a localised organisational environment where the impacts of public sector reform are impressed. This provides a desirable contextual focus (Burchell et al 1980; Hopwood 1983; Roberts and Scapens 1985).

This chapter proceeds as follows. Section 4.2 presents a definition of New Public Management which centres on the doctrinal elements in Hood's (1991, 1995) original description. This definition is contrasted with Weber's 'ideal type' bureaucracy. Section 4.3 reviews a cross section of international and Australian literature dealing with NPM. The bulk of this literature refers to a predominantly qualitative empirical base with a focus on public sector organisations and public schools. Section 4.4 concludes the chapter.

#### **4.2 The New Public Management**

The preceding discussion on managerialism has, to some extent, masked the complexity of a reform schedule that has pervaded the Australian public sector. To understand the visibility and extent to which these reforms have been impressed, several authors have noted the

importance of analysing the context within which they function (Broadbent 1999; Broadbent and Guthrie 1992). This, it is argued, has provided us with superior insight (Broadbent and Guthrie 2008). Pollitt (2003) furthers this argument. By implying that accounting technologies such as accrual accounting, Total Quality Management (TQM) or accountable management, have received very little deliberation before being implemented, he has demonstrated a flaw in our existing knowledge. He (2003) indicates that without reference to the technology itself or the institutional context within which it will reside, attempts at reform have conflated national variables and this can result in the misapplication of those technologies. The national and institutional contexts were examined in Chapter Two. In this section an attempt is made at defining the over-arching theme of this research, the technology itself – New Public Management.

The term NPM was originally used by Hood (1991) as a descriptor of contemporary approaches to public sector managerial practice. His use of the term was loosely coupled to actual public sector managerial practice as it encompassed doctrinal elements that were imputed to varying extents within governments. For example, of the following seven doctrinal elements listed in Table 4.1, the replacement of the term ‘administrator’ with the term ‘manager’ in Australia has indicated a predilection for the fifth of those listed – hands on professional management. The doctrines may indeed overlap, but the overweening impetuses have been a reduction in the size of government from Leviathan to relative Lilliputian and an installation of private sector ideals where, some have argued, they may not be tenable (Ezzamel et al 2004; Haque 2007; Jones and Jacobs 2009; Lapsley 2009).

Hood (1991) links these impetuses to four trends: (i) Attempts to slow down or reverse government growth in terms of overt public spending and staffing (See also Dunshire and Hood, 1989); (ii) The shift toward privatization; (iii) The development of automation, particularly in IT in the production and distribution of public services; and (iv) The

development of an international agenda, increasingly focused on general issues of public management, policy design, decision styles.

Hood (1995) whittled these trends down to two pragmatic ends which he saw as a reversal of the two cardinal doctrines of 'progressive public administration: (i) a lessening of the differences between private and public sectors; and (ii) a shift from process accountability to accountability for results. Dunleavy and Hood (1994) characterise these changes as a movement 'down group', i.e. the convergence of private and public sectors, and 'down grid', i.e. a change in accountability from inputs to accountability for outcomes. Dunleavy and Hood (1994, p 9) also identified a third general goal of NPM which they described as a reduction in "the extent to which discretionary power (particularly over staff, contracts and money) is limited by uniform and general rules of procedure". This last goal indicates that NPM contrasts greatly with traditional bureaucracy which emphasises rule based action and decision making (see Table 3.1).

The two ends outlined by Hood (1995) above can be further broken down into seven dimensions of change or 'doctrines' of NPM that Hood (1995) identified as themes emerging from the public sector managerial literature. The first four doctrines are those in the 'down group' movement and are thus elements that are intended to waylay the differences between the public and private sectors. The last three are those in the 'down grid' movement and therefore relate to the change in emphasis from accountability for inputs to accountability for results and the extent to which managers should be bound by rules within their units. Analysis in Chapters Six and Seven will make reference to the pragmatic ends listed above and the doctrines below.

**Table 4.1 – The Doctrinal Elements of NPM**

Doctrine	Managerial Implications	Accounting Implications	Justification	Contrast with Weber's Ideal Type
Disaggregation of public sector organisations	Creation of “corporatized” units, each with its own identity, business plan and autonomy over resource decisions; enhanced control	Devolved budgets; more cost centre units	Granting authority over decisions allows knowledgeable managers to respond more quickly to specific issues	Decentralised planning and decision making
Move towards contract based competition	Creates a distinction between primary and secondary service provision; encourages entrepreneurialism	Places greater stress on identifying costs and cost behaviour	Introducing market mechanisms leads to cost reduction and higher standards of service	Stresses managerial autonomy instead of adherence to rules that govern all activity; open markets instead of captive markets
Private sector management style	Creates a market for managers; monetises rewards; new information systems; incentive to clarify objectives	Move to private sector norms such as GAAP	Private sector management styles have a “proven” track record	Emergent strategies instead of rule based action; employment is task oriented, not career oriented; <a href="#">division of labour still exists</a>
Greater discipline and parsimony in resource use	Less primary employment; mandate to improve efficiency	Emphasis on the bottom line	Public sector is wasteful; need to do more with less	More focus on economy instead of achievement of objectives
“Hands on management”	Creates managerial autonomy; explicates managerial duties and responsibilities; grants discretionary power	Emphasises financial data for management accountability;	Accountability requires consignment of responsibility, not diffusion of power	Managers become exposed to scrutiny rather than insulated by rules which were designed to prevent it
Explicit and measurable standards of performance	Performance is evaluated; trust in the civil servant is reduced	Creates a need for performance indicators; audit	Evaluating actions and linking to goals creates greater accountability	Under NPM there is a belief that bureaucratic rules do not facilitate performance. It must be evaluated. <a href="#">Employment remains merit based and impersonal</a>
Emphasis on output controls	Mandate to improve efficiency; resource allocation based on performance	Emphasis on costing techniques instead of accounting for individual activities	Results need to be emphasised	Attention is directed at what is exiting the system (outputs and outcomes) instead of formulating rules about what enters (inputs)

(Adapted from Hood 1995, p 96)

Reflecting on this table, it appears that very few similarities remain between Weber’s ideal type bureaucracy and the new approach to governing espoused by NPM. The broadest and

most discernible difference is the basis of decision making. Managerial activity in Weber's ideal type is formulaic, based on rules and structures. It is assumed that there is one machination for every issue. Managerial activity under NPM, whilst still describable in doctrinal terms, is more flexible, based on the norms of a free market society instead of administrative rules. What remains of Weber's idealisation in contemporary society, tenets such as the division of labour and merit based employment, are merely residual, yet synergistic, economic and ethical imperatives.

Whilst advocates of the managerialist approach indulge in a preoccupation with market mechanisms, there is also a concern with administrative processes and method. Goldspink (2007) sees this process of rational control as a reflection of the functionalist paradigm within Burrell and Morgan's (1979) framework. As the functionalist paradigm is concerned with order, equilibrium and stability, there is always the potential for managerialism to dehumanise the social world and concern itself merely with the "philosophy of social engineering as a basis for social change" (Burrell and Morgan 1979, p 26). This philosophy limits the range of options available to managers in the public sector particularly as organisational performance is predicated on measurable outputs. These measures are usually quantitative, taking on monetary values, rather than those that may be qualitative yet still important from a policy perspective (Goldspink 2007; Parker 2011; Hoque and Adams 2008). For example, since NPM tends to focus on 'economic realities', accountability for social or community impacts are sometimes neglected. Much of the literature which examines NPM concentrates on providing an understanding of the consequences of the changing nature of accountability in the public sector.

#### **4.3 NPM Literature**

The above definition of NPM was contrasted with more traditional forms of bureaucracy such as that described in Chapter Three. The most noteworthy deviations from Weber's ideal type

bureaucracy include the emphasis now placed on business imperatives and the market model as a basis of action in the public sector. The present study will contribute to the large body of knowledge on public sector reforms by examining NPM and its implications for accounting in NSW public schools. There have been a large number of studies which have critically and empirically evaluated the implementation and use of NPM principles. Similarly, many studies have examined accounting reforms emanating from the application of those principles. It would be difficult to comprehensively analyse them given the scope of this research endeavour. This section therefore examines a cross section of this literature from various countries, public sector organisations and levels of government to “develop sharper and more insightful questions about the topic” Yin (1994, p 9). An examination of NPM literature both internationally and within Australia is preceded by an examination of literature which depicts public sector operations as inherently inefficient.

#### **4.3.1 Public Sector Inefficiency**

“Waste in government is staggering” (Osbourne and Gaebler 1993, p23) were the words of men whose appeal to bring a business model to the public sector was revolutionary. This observation was certainly not without sound empirical basis and is demonstrated in the following examples.

Orzechowski (1974) conducted a study of aggregate capital intensity in the public sector. He found that public sector organisations were both labour and capital intensive when compared to the private sector, however it was the rate at which capital is used in the public sector which was most noticeable. He (1974) found that the services in the public sector used ten times as much capital per worker as the equivalent private sector service provider. Thus he establishes that public service providers experience high costs and low productivity when compared to businesses. This discrepancy is attributed to what he describes as ‘behavioural

differences' between the two sectors but he does not go on to describe these differences in any detail.

Ganley and Cubbin (1992), using examination results in the Ordinary-level/Certificate of Secondary Education in the UK public sector as a proxy for outcome variables, conduct a study of the efficiency of 96 English local education authorities. Of these, they find that 44 achieve a score close to unity indicating relative efficiency. The other 52 are deemed input inefficient and 91 out of 96 in total operate below efficiency. These findings, extracted from 1984 data, reinforce those of the Audit Commission (1986b) and indicate that resource use in UK public schools was suffering from inadequate management practices.

These resource inefficiencies are not restricted to public schools. Ganley and Cubbin (1992) also conducted a study into the total factor productivity and programme-efficiency of local prisons and remand centres in the UK. Results of data envelopment analysis indicate that only thirteen of the thirty three prisons selected for study were operating at or above efficient levels. The coefficient for the twenty under achieving prisons was 0.88, indicating that these institutions could save an average of 12% on their operating costs. Analyses of programme performance indicators also present troubling results. Depending on the statistical model adopted, Ganley and Cubbin (1992) find that excess costs in the selected sample ranged from £11.1 million to £31.1 million. Furthermore, "it was estimated that about 5% of total costs in local prisons could be deducted while maintaining existing levels of service" (Ganley and Cubbin 1992, p111)<sup>23</sup>.

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<sup>23</sup> These results are disputable particularly because the activities and assets used in the private sector are different from those in the public sector (Mautz 1981, 1988; Pallott 1990; Barton 2005). In the above study on schools in the UK, for example, the non-homogeneous nature of outputs was considered a stumbling block in establishing reliable measures of total-factor productivity (Ganley and Cubbin 1992). In the absence of a market, as in the private sector, market price weights cannot be utilised to gain summary measurements: "indicators are given on different scales and we have no *a priori* set of weights with which to judge their

Ganley and Cubbin (1992) note that organisations in the UK (and in Australia) are defined as managerially and budgetarily separate from the government department. In principle then, any spending unit such as a school, hospital or prison may be defined as an independent cost centre and are subject to the paintbrush of civil service reform. Thus, the decentralisation of decision making sought by the part of the UK Education Reform Act (UK 1988) entitled Local Management of Schools (LMS) parallels the goals of LSLD, the more focussed Australian counterpart.

It is worthwhile noting that, prior to Ganley and Cubbin's (1992) study, the reforms pursued in the UK including the Civil Service Management Reform (UK 1988) and the Education Reform Act (UK 1988) were similar to the current Australian education reforms including the ELSNP (Australia 2012), LSLD (NSW 2011) and LMBR (NSW 2008). In the UK it was noted that, while the quality of services had improved since those reforms, there was a need for a more flexible civil service and improvements could be made by delegating management functions to public sector organisations. This would also allow public sector organisations to carry out the executive function of government thereby placing less strain on the political process. Discussion of the Australian reforms above was conducted in the previous chapter.

Ganley and Cubbin (1992) identified a limitation of their study. Due to their non-homogenous nature, outputs of policy implementation in the public sector are difficult to quantify and therefore usually take on qualitative characteristics. As noted by Ganley and

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relative importance, or functions with which to transform the indicators into common measures of utility" (Smith and Mayston 1987, p182). This is a difficulty attested to by Carter (1987) who indicates that performance is a contextual term. Its meaning is contestable, particularly in the public sector where different people expect different results. As noted by Ganley and Cubbin (1992, p36), "...it may not be possible to observe distinct units of output in many public programmes. Service outputs in general typically involve an alteration in human abilities or satisfaction – a 'client change'".

Cubbin (1992, p36), “...it may not be possible to observe distinct units of output in many public programmes. Service outputs in general typically involve an alteration in human abilities or satisfaction – a ‘client change’”. Ascribing numbers to incremental changes in student knowledge, for example, seems arbitrary at best, especially when there are contextual factors in play such as the special needs of some students, the quality of teaching and demographic differences between schools, not to mention the presence of abnormal observations resulting from exceptional or substandard student cohorts. In terms of programme output, ‘goodness’ then becomes a relative term. By contrast, in the presence of a market where the focus is on the bottom line, profit performs the function of a reliable output measure<sup>24</sup>. Thus for many years public sector analysts focused on measures of input such as spending or employment (Ganley and Cubbin 1992).

Other authors have chosen not to illustrate inefficiency in government through quantitative analyses but have instead developed methods of enhancing government function from the assumption that efficiency must be improved. Osbourne and Gaebler (1993) show how efficiency can be achieved in a constrained economy. Their book takes the reader through a sustained testimonial of the principles they outline as applied in the USA. Although the context is vastly different to the UK, their argument cuts across oceanic boundaries and illustrates the global thrust of the public sector reform agenda. They focussed on two linked principles. One emerged directly from the private sector where it had served the ends of shareholders and companies neatly – the entrepreneurial ethos. The other was uniquely government related – less government, but more governance.

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<sup>24</sup> This statement holds true relative to measures in the public sector, however it must be noted that profit is a similarly contestable concept throughout the private sector, especially when viewed through a postmodern or poststructuralist lens (cf. MacIntosh 1995; Baker 2011). Furthermore, some transactions, such as transfers between divisions, do not take place in the open market and thus some weighted value must be imputed (Ganley and Cubbin 1992). These values may not reflect the true opportunity costs of an external sale of the same item.

Osbourne and Gaebler (1993) associate better governance with a steering rather than a rowing role. Traditionally, government agencies had focussed on the delivery of services. Unfortunately, such policy only works so far as there are fit oarsmen to paddle. This was a reasonable approach when tax revenue was increasing by 5.3% annually during the prosperous period of the 1970s and 1980s. However, when governments are subject to economic constraints, politicians tended to believe that “there’s no other way but to cut services” (Noriega in Osbourne and Gaebler 1993, p 39). Such activity is deemed to be deficient, especially in the presence of superior alternatives. Osbourne and Gaebler (1993) concluded that ‘steering’ is associated with making more policy decisions and catalysing action in society by stimulating non-government organisations. Thus they link better governance with entrepreneurialism and private sector management styles. This, it is argued, allows governments to maintain already efficient and effective services while outsourcing others.

#### **4.3.2 International Studies on NPM**

Moynihan (2006) examined public sector reform in the USA. The study found that state governments had adopted private sector managerial styles but were unable to apply them effectively because of bureaucratic resistance to devolved authority. Nonetheless, the focus on results reflected a rhetorical acceptance of NPM rationales which were taken from Westminster governments such as New Zealand, the UK and Australia. In the USA, resistance to government reformations were also evidenced in Kellough and Nigro (2005). They found that NPM rationales such as disaggregation of units, explicit and measurable standards of performance and emphasis on output controls were introduced in the state of Georgia but employees had reacted negatively to their implementation.

Lawrence et al (1994) conduct an ethnographic study relating to management reforms in the New Zealand health care environment. Some enhancements to efficiency and effectiveness were deemed necessary despite New Zealand's impeccable track record in health care compared to other countries. They found that cultural changes to management practices had permeated these organisations. These changes were particularly noticeable in the way management approached tasks. With the implementation of the Health and Disability Services Bill, managerial action was to be predicated on business imperatives rather than "unspecified social obligations" (Lawrence et al 1994, p 68). In their study, the role of accounting was acknowledged as a 'fabricator' (Latour 1987) of broader social norms. This critical study exposes the subjectivity of purportedly neutral accounting systems and their capacity to act as an arbiter and persuasive instrument in resolving disparate interests.

The above study is supplemented by Alam and Lawrence (1994) who observed that the introduction of new accounting and budgeting practices were the precursor to the creation of a wider competitive culture. They also found that resistance of health care professionals to the new managerial approach was assuaged by a set of believers who pushed the agenda (cf. Irvine et al 2011). This resulted in the construction of a new commercial reality for the New Zealand national health sector.

Boston (1993) also examined reforms emanating from a weakening economic environment in New Zealand. He finds that prior to these reforms New Zealand had been a "social laboratory" (Boston 1993, p 66) where an egalitarian ethos had permeated social policy. To perpetuate this ethos, Richardson (cited in Boston 1993, p 68), the New Zealand Minister of Finance, observed that government spending had been increasing to accommodate the welfare state and subsequently mentioned that "substantial reductions in social spending"

were necessary, especially because there was no intention to increase taxes. Boston (1993) found that such expenditure cuts may have been misdirected. His (1993) overall assessment of these reforms indicates a government that neglected the quality of policy design in attempting to instil reforms too hastily. This haste was attributed to political expediency – the desire to pass as many reforms as possible while negating the possibility of critique. The reforms were noted to have harsh consequences for those reliant on social welfare. The reforms that were investigated in this article were catalysed by neo-liberal forces (Boston 1993) and, similar to the principles of NPM, were characterised by a movement away from equity considerations and towards business imperatives. Such impetus is not ill-directed in and of itself, but Boston (1993) demonstrates that governments must deliberate on social consequences before implementing policy.

Broadbent and Laughlin (1997) investigate the ‘down grid’ movement (Dunleavy and Hood 1994) towards accountability for results and its effect on schools and GP practices. Previous research in this field had demonstrated a strong resistance to NPM rationales which had manifested in the “creation of informal and formal ‘absorption’ processes to counteract and ‘mute’ the changes” (Broadbent and Laughlin 1997, p 405). This paper builds on prior research (cf. Broadbent 1995; Broadbent et al 1993; Laughlin et al 1994; Shearn et al 1995) to compare these absorption processes and show how these processes changed as the technical aspects of NPM developed. Broadbent and Laughlin (1997) indicate that specialist work groups<sup>25</sup> react to perceived unwanted disturbances, but it is the strength of the disturbance that is essential for understanding whether these disturbances become ‘absorbed’

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<sup>25</sup> Specialist work groups are defined as head teachers and senior GPs. Their role in the absorption process is to defend against unwanted disturbances (Laughlin et al 1994) and filter through creative changes. However, their unique position in the organisation also enables a ‘colonising’ role. They have the potential to “protect but also fundamentally change the “genetic code” of the organisation” (De Board 1978, p 43 in Broadbent and Laughlin 1997, p 409).

in order to limit potential ‘damage’ to working practices. Broadbent and Laughlin (1997, p 420) observed:

“Where the Reform package is simply delegation of resources which are manageable for the demands of the school then there is little problem... Increasing problems emerge where the demands are such that their control and containment has to, of necessity; spill over into the functioning of core activities.”

Broadbent and Laughlin (1997) note that reforms took place at schools with the instilment of a part of the Education Reform Act (UK 1988) entitled Local Management of Schools (LMS). This reform has a striking rhetorical and practical similarity to the Australian reform entitled Local Schools, Local Decisions (NSW 2011b). LMS delegated significant financial responsibility to schools in the UK of over 200 pupils and increased the size of school budgets from a few thousand dollars to several million (Broadbent and Laughlin 1997). This large increase in the budget led to the concurrent development of an accountability regime that stressed performance. Thus, school principals were asked to show how the increase in funds had contributed to the school’s performance in terms of outputs, measured on the basis of teaching hours and productivity, and outcomes, measured on the basis of improved student learning set against national standards. Where there was previously a traditional approach to accountability at UK public schools which stressed stewardship of the most vital of resources, cash from the taxpayer, LMS had installed a new business-like regime which reflected the last of the doctrines outlined in Table 4.1 – emphasis on output controls. The increased pressure on performance accountability was precipitated by an increased visibility from the public due to the publication of league tables and government inspections (Broadbent and Laughlin 1997).

The results of Broadbent and Laughlin's (1997) interviews with these specialised work groups in schools generally indicate an unfavourable view of the reforms however some positives were maintained. It was noted that whilst head teachers faced increased strain on deciding who to allocate money to, discretionary spending allowed head teachers the freedom to pursue valuable goals, such as the inclusion of computers in classrooms (Broadbent and Laughlin 1997, p 418). Thus reforms were viewed positively initially but were subsequently perceived as an "administrative nightmare" (Broadbent and Laughlin 1997, p 418) and an added burden to the head teachers who were not provided with additional funding to meet extra managerial duties. Reflecting on the accountability arrangements, one participant noted that it "...has geared everything to administration... it's not for the kids" (Anonymous in Broadbent and Laughlin 1997, p 419). The extra administrative tasks could be handled in several ways. The most poignant response was to absorb the changes by dispersing those duties amongst existing or new staff. Funding for this new staffing arrangement had to be garnered from somewhere and Broadbent and Laughlin (1997) note that it often came at the expense of teaching staff. In NSW public schools the SAM plays a significant role in the management of finances. It remains to be seen whether this individual can shoulder the additional burdens which are now being placed upon them by the Australian reformist counterpart Local Schools, Local Decisions (NSW 2011b).

Edwards et al (1995) also examined reforms related to LMS in UK public schools. Initial observations based on prior literature showed that budgetary devolution had little impact on the effective delivery of services (cf. King 1987; Pollitt 1993). Edwards et al (1995, p 313) note that "budgeting remains uncoupled from the 'productive' activities of the organisation and the elusive aim of quality in education". The research of Edwards et al (1995) is contextual and seeks to explain the government's actions as a response to local institutional

environments. The reforms were thus described as a case of *coercive institutional isomorphism* (DiMaggio and Powell 1991). That is, the success of the organisation was “perceived in terms of the extent to which its structure embodies societal myths of ‘rationality’, such as comprehensive budgeting, through which an organisation gains and maintains *legitimacy* with its environment” (Edwards et al 1995, p 298, italics in original). Critically, an assumption built into this devolutionary tactic came from a large audit firm which stated that good management, predicated on private sector norms, would incentivise efficiency (Coopers and Lybrand 1988, p 7). The assumption is that the devolved management model, one that reflected neo liberal principles, was the most apt for any environment. However, as in Broadbent and Laughlin (1997) above, Edwards et al (1995) demonstrate that such a model was reflective of the politics of resource allocation, the upshot being that “some of the interests in financial delegation sprang from a desire among local politicians and administrators to pass the buck – to shift the odium attaching to difficult budgetary decisions” (Maclure 1989, p 43 in Edwards et al 1995, p 309) and to subsequently reduce the amount of funding for public schools.

Coupland et al (2008) examined the impacts of NPM in UK secondary schools, particularly in regard to the construction of identity for school leaders (principals and deputy principals). An initial observation was that NPM, which had pervaded UK government policy since 1979, had cast school leaders in a ‘heroic mould’ where they had to attune themselves to business like imperatives whilst still maintaining traditional moral and pedagogical obligations. The authors maintain a social constructionist ontological perspective and adopt a reflexive<sup>26</sup> discourse analytical method based on interviews conducted in 50 secondary schools. The

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<sup>26</sup> The authors acknowledge that, whilst discourse is constructing of identity, the research method adopted is also capable of constructing a “particular picture of humans” (Tseelon 1991, cited in Coupland et al 2008, p 1082).

perspective adopted is vital to the findings regarding the construction of identity since, “identity is regarded as something that we do rather than something that we are. It is contextual, therefore, and may be drawn upon to do discursive business; that is, to be plausible, authentic, legitimate and persuasive in interaction.” (Coupland et al 2008, p 1082).

Their study (Coupland et al 2008) finds that NPM discourse had a limited impact on identity formation but has indeed impacted on the activities undertaken by school leaders. Principals were noted to have engaged with activities traditionally not within their purview, actions like business meetings outside the schools and strategy formation. This shaped others’ (including deputy principals) views of the principal as an authoritative figure. However, the complexities of the position were acknowledged and this mitigated any negative thoughts from the principals’ detractors. In terms of complexity, one of the most complicated activities that the principals had to undertake was the satisfaction of existing accountability relationships between themselves and students, parents, teachers and wider community stakeholders, under a new set of goals espoused by NPM. An interpretation that acknowledges nuances of accountability in the public sector shows that the modernising agenda pursued in UK public schools has created some division between leaders. Principals were engaged in CEO like activities whilst lower levels of management would attend to ‘pastoral’ duties. However, whilst the economic focus of NPM had created “more tightly controlled bureaucratic systems in a rigid hierarchy” (Coupland et al 2008, p 1080), as above the construction of divisive identity was eclipsed by the humanistic aptitude for empathy.

Bates and Carter (2007) also examined some of the impacts and limits to public sector reforms experienced in UK public schools since the modernising agenda of the New Labor came to the fore. They (2007) situate reforms at UK public schools within the wider rubric of

a reform schedule typified by the application of NPM tenets. The most salient changes were identified as a centralisation of policy determination coupled with devolution of responsibilities to lower level managers. This progressed in parallel with increased accountability for achieving performance targets. Together these changes led to the uptake of managerialism and private sector techniques which eschewed notions of probity and fairness traditionally espoused by the public sector (Ferlie et al 1996). It is in this context that Bates and Carter (2007) make use of the term ‘the managerial school’ (cited in Gewirtz and McLaughlin 2002), where the Head teacher plays a vital role. Much of the research conducted in this study indicates that there was significant resistance to change. Where change did occur it was considered too prescriptive and the Headteachers were ill-equipped to handle the added demands. The study also found that ‘change teams’ set up to tackle the incoming mandates fared poorly in their goals and were typically dissolved without making a contribution. Furthermore, upon reflecting upon contracting arrangements resulting from NPM reforms, many of the participants of the study noted that financial management reforms did not raise student standards as intended. Incremental improvements in some of the schools were instead attributable to micro level changes or ‘collegial working’ as one participant described it. Overall the reforms in UK public schools focussed on the rhetoric of improved performance, efficiency and accountability but had only achieved tension, resentment and resistance, especially from Head teachers who found that their efforts prior to the reform schedule had gone unacknowledged.

A preponderance of academic work, such as those listed above, sees managerialism and the attainment of quality educational outcomes as incompatible. There are, however, studies which show that the two are not always at odds. Jones (1999), for example, conducts a qualitative study which confirms that the role of the Head teacher in the UK has evolved to

encompass extra managerial duties, but these extra responsibilities have not led to deprofessionalisation. The Head teachers' aptitude for adding educational value is argued to remain rooted in their core values and educational philosophy. This study would therefore attest to some kind of internalised allegiance with public sector values and is analogous to the Hippocratic Oath taken by medical practitioners. Whilst framing the study on the basis of the Headteachers' 'extra duties', the study does not acknowledge that there are time constraints for professional educators and does not recognise human aspects such as increased stress (cf. Carr 1994) or changes in identity (cf. Coupland et al 2008) which can potentially compromise working practices. The study may therefore be described as spurious since it does not recognise the human and temporal aspects of the role. Whilst the Head teacher's attitude towards education, and therefore professionalism, remains unchanged, the practicalities of managerialism may weaken the individual's capability to act professionally.

Ezzamel et al (2004) examine three factors which have contributed to accounting for democratic accountability in Westminster. The first factor, devolution, is defined as the "surrender of rights, powers, property or responsibility from Westminster to other institutions" (Ezzamel et al 2004, p 146). They (2004) found no evidence to suggest that devolution has shaped accounting processes and techniques, however it had incentivised the use of technical accounting information where politicians had previously relied on the use of 'rich' sources such as "focused, verbal and personal accounts" (Ezzamel et al 2004, p 150). This shift could potentially lead to information overload. Politicians would therefore have to rely on experts who acted as 'buffers and filters' of accounting information. The second factor examined, NPM reforms, had played the greatest role in extending the use of rational accounting models such as accrual accounting and Resource Accounting and Budgeting. These new accounting technologies provided managers with the necessary tools for

discharging accountability on a performance basis but their use was hindered because managers lacked the requisite skill to apply them effectively. The impact of political management culture is the third factor examined. Ezzamel et al (2004) find that accounting serviced a symbolic role in the individualist managerial culture. It could be used to deter misconduct as well as facilitating political competition and democratic accountability, but its technical aspects were not necessarily shaped by the managerial culture. The conclusions indicate that, in a UK Parliamentary setting, the use of accounting information, particularly in regard to performance information, has become more widespread. However, the use of accounting and budgeting techniques was moderated by the politician's lack of expertise. Unless politicians expanded their accounting knowledge they would have to rely on a division of labour to provide clarity to that information. Hence whilst accounting developments were noted to have contributed to democratic accountability, the reliance on experts mitigated these contributions.

Ellwood and Newberry (2006) aim to show that the introduction of accrual accounting, albeit some minor modifications, and the "accountingisation of the public sector" (Power & Laughlin 1992, p133) is flawed and is intended as a vehicle for other change (cf. Christenson 2007; Carlin 2003). This 'other change' is identified as distinctively neo-liberal and is characterised by an 'Iron Tripod' of reforms which are comparatively examined in a New Zealand and UK context. The three legs of the iron tripod of neo-liberal reform are defined as macro level fiscal disciplines to achieve balanced budgets; micro economic reforms to liberalise trade; and independently administered anti-inflationary monetary policy. These reforms are said to wrest power from and reduce the size of governments whilst encouraging the expansion of business activities. Accounting is seen as playing a key role in the commercialization of government activities and the introduction of competition where none

previously existed. Comparisons between the New Zealand and UK contexts indicate similar experiences: a bias towards privatization and an impression that sector neutrality appears to be misleading.

While accrual accounting was intended to apply to a competitively neutral environment, a contrary view was exposed: “The level playing field appears to have been tilted, and the public sector bodies are playing uphill” (Ellwood and Newberry 2007, p 564). This is a key finding in this paper. The application of accrual accounting is found to bias the private sector because rules have the effect of loading output costs on the public sector. Efficiency improvements resulting from competition may therefore have been illusory (Carlin 2005; Ellwood and Newberry 2006).

This article supports claims that public sector accrual accounting is a ‘Trojan Horse’ intended to serve an agenda that lies outside its application as a neutral, technical practice. If this agenda succeeds in its goal more pertinent questions may arise. For example, if neo-liberalism thrives and results in the reduction in the size of government from ‘Leviathan’ to ‘Lilliputian’, will the influence of the ‘invisible hand’ in the absence of a strong public authority be enough to mitigate a repressed form of violence that serves the rich? In Hobbesian parlance, an environment of man may be substituted by an environment of business which may, ironically, induce “danger of violent death; And the life of man, solitary, poore, nasty, brutish and short” (Hobbes 1651).

Olson et al (1998) recognised the appeal of the social constructionist approach *ex post* through engagement with accounting academics from eleven participating nations. They conduct a comparative analysis on the rise of what they term New Public Financial Management (NPFM) and describe five categories of NPFM reforms, not as principled goals

but as recurring themes that have been applied to varying extents in their relative national, governmental and organisational contexts. The format therefore tends away from the doctrinal or conceptual approach of Hood's (1991) article, which has been described as unconcerned with functional details and relatively "broad brush" (Guthrie and Olson 1999, p 212), and is focussed more on the specific accounting techniques being utilised within the public sector. The five categories are outlined in Table 4.2.

**Table 4.2 Categories of NPFM Reform**

<b>Category</b>	<b>Description</b>
Changes to financial reporting systems	Adoption of accrual and professionally based accounting standards
Changes to management systems and structures	Emphasis placed on market oriented approaches to inform pricing decisions related to public services and contractual arrangements
Changing emphasis from input accountability to accountability for results	Development of financial and non-financial performance indicators including the production of league tables and output and outcome performance measures
Budgetary delegation	Similar to the principles of NPM. Emphasis is placed on linking budgets to performance in financial and non-financial terms.
Development of public sector audit	Audit techniques stress accountability for results in terms of both efficiency and effectiveness

Source: Olson et al (1998)

Their study (Olson et al 1998) demonstrated the complexity attached to the uniform practice and reform of financial management in public sectors, especially with regard to cultural nuances. In Japan, for instance, it was noted that no direct term exists for 'financial management' (Guthrie and Olson 1999). Premised on the finding that these categories had been applied to varying extents, it was argued that the faith in these principles was more significant than their actual application This conclusion is supported by Brunsson and Olsen

(1993) who found that reforms could not gain a footing and would often reappear under a new guise. Moreover, a significant finding of the study was that NPFM:

“had produced a shift from systems of discretionary responsibility in action to ones promoting formal accountability in text - with a consequent greater concern with reporting public sector performance rather than the more direct task of providing the public services themselves” (Guthrie and Olson 1999, p 223).

This finding goes to the crux of the debate on NPFM practices. Guthrie and Olson (1999) argue that NPFM tenets did little to augment the democratic function of government because it was left in the hands of ‘unelected guardians’ such as accounting professionals and managers. Consequently, an ‘evaluatory trap’ (Olson et al 2001) had emerged which placed more emphasis on the formal discharge of accountability, which emphasises private sector business imperatives, than the judicious and present application of responsibility, which stresses service delivery (Olson et al 2001).

Lapsley (2009, p 2) has described this emphasis on business imperatives as “big business mimicry”. Such mimicry implies that the accounting processes and techniques used in the private sector can be applied universally and are not intended to bias one way or another. The depiction of a neutral accounting framework is supported by academics and official contributors (Leisenring 1987; IASB 2006) and is furthered by the claims of the AASB and the then Executive Director of the AARF who described GAAP as ‘sector neutral’ and that the decision to adopt private sector standards was one of the most important steps taken by the (now dissolved) PSASB (McGregor 1999). In NSW public schools big business mimicry is evidenced most notably by the introduction of a large private sector accounting information system, SAP, in the DEC with a tailored user interface for public schools.

In contrast to the presumed neutrality of accounting practices, several academics in the field of public sector accounting have recognised the iterative nature of their development. These

practices are deemed to be constructed by, and are constructing of, the social and organisational world in which they operate (Guthrie et al 2003; Laughlin and Pallot in Olson et al 1998; Funnell et al 2012). Within the social constructionist view of public sector accounting developments are several strands of thinking. Hood (2000) emphasises a cultural perspective when seeking to describe the development of public sector accounting practices. Meyer and Rowan (1977) sought to explain the isomorphic tendencies of political institutions as a function of the ‘mythical’ rules set out by other successful institutions. This, they argued, would augment an institution’s future prospects, not by aligning their operations with the technical and productive demands of that specific institution, but by gaining legitimacy within a wider context – a conclusion attested to by the work of DiMaggio and Powell (1991). This theme is furthered by academics who argue that an entity’s activities are not always related to their actual needs (Kelly and Wanna 2004; Ellwood and Newberry 2006; Covalleski and Dirsmith 1986a, 1986b, 1988; Brunsson 1989). Brunsson (2006) argued that the actions of reformers, once those reforms are in place, are predicated on the construction of ‘mechanisms of hope’ which lead to the denial of project failure. Actions are deemed to be effective when there are ‘obstacles to information’ which obfuscate their ‘actual application’ (Brunsson 2006). In the context of NPM and NPFM reform, obstacles to information may include a lack of technical expertise on behalf of consumers of public services as well as time constraints alluded to in Broadbent and Laughlin (1997). The ‘actual application’ referred to above can be ideological – ideology described as “closed systems that resist change” (Neuman 2011, p 58).

The above review of international literature has alluded frequently to neo-liberalism and it is this concept that is now posited as the ideological impetus for reform. The strategic reforms outlined in section 3.4, such as increased managerialism and competition, support the view that neo-liberalism has become a catalysing force. Whether it is through dogmatism, as a

mechanism of hope or as a legitimization strategy, ‘faith in a principle’ (Brunsson 2006, p157), such as the faith placed in NPFM, can lead to a reified status quo. The assertion that current institutional arrangements are reified may be stretching the rubric. However, the mere possibility alone is indicative of the need for a social constructionist approach to understanding accounting practice and reform.

Humphrey and Miller (2012), in their capacity as guest editors (along with Robert Scapens) of a 1993 special issue of the *Accounting, Auditing and Accountability Journal*, conduct a reflexive study into the development of NPM practice and research. In this article they (2012) investigate NPM literature over the last two decades and seek to answer what ‘impact’ NPM has had in the UK public sector, how impact may be defined and whether impact can be considered a concrete phenomenon given that researchers and practitioners are necessarily connected to their work. Furthermore, they ruminate on the possibility of reflection in a time of a maligned depiction of NPM practices. The paper is unique in that it seeks to mediate a vast array of observations in what they describe as a relatively young literature.

Upon reflection, Humphrey and Miller (2012) noted that accountability was a pervasive idea in public sector accounting research and it is here where NPM may have had the greatest impact. Accounting was called on to render visible certain consequences of government activity however the results for which stakeholders desired explanation had transitioned from *social concerns* in the 60s and 70s to *economic concerns* in the 80s and 90s. The discourse and rhetoric surrounding this economic perspective of accountability has therefore curtailed the simplified meaning of accountability depicted in Chapter Two which emphasised stewardship. Moreover, under the new regime of accountability, “inefficiencies typically received the most attention, not least as it was presumed... that these were much easier to calculate than the often hidden and indirect benefits of public service” (Humphrey and Miller 2012, p 300). Set against this backdrop, the authors (2012) posit a critical question. They

maintain that the goal of the modern researcher should be to understand what happens when the calculable and rational models of accountable management are applied in an inconsistent, contradictory and paradoxical public sector environment. This question, they argue, is an empirical problem to be assessed rather than avoided. In any case, attempting to resolve that problem is better than merely proceeding under the presumption that, “the claimed potential of accounting would be matched by its achievement once put to work” (Humphrey and Miller 2012, p 302).

Humphrey and Miller (2012) also reflect on the impact of accounting developments in the public sector. As evidenced by Olson et al (1998), Humphrey and Miller (2012, p 304) note that “the instruments of accounting always operate in conjunction with a set of ideas which are themselves multiplicities.” They (2012) note that the presumed neutrality of accounting technologies belied their interested nature thus their impact may be considered more ideological than practical. Furthermore, since the ‘set of ideas’ accompanying accounting developments placed emphasis on cost control and efficiency, there was potential that the quality of public services could deteriorate because more resources would be committed to servicing the ‘evaluatory trap’ (Olson et al 2001), where action-oriented responsibility was supplanted by the reporting of economic accountability. Public sector managers that were subjected to notions of costs, audit, efficiency and insolvency had responded through the uptake of rational accounting mechanisms. The current challenge for accounting researchers, as Humphrey and Miller (2012) see it, is to understand what happens when rational accounting technologies are put to work.

#### **4.3.3 Australian Studies in NPM**

As has been stated earlier, public sector reforms have progressed under the proviso that inefficiencies must be reduced to meet the contemporaneous demands of society. Within Australia the pursuit of this goal has progressed hand in hand with the tenets associated with

NPM. Given the constraints of this research endeavour an exhaustive review of literature is unattainable. This sub section therefore emphasises literature most closely related to the organisational context selected for this study, Australian public schools, and the most prominent driver of organisational change in this context, NPM.

Carr (1994), as a lecturer in organisational change at the University of Western Sydney, conducts a study that meets the challenge set out by Humphrey and Miller (2012). His aim is to show the emotional consequences of an agenda that stresses ‘economic realities’ within the context of Australian public schools. He begins by outlining the provenance of the reform schedule as one emanating from the ‘new efficiency movement’ (Ashenden and Gallagher 1980 in Carr 1994) which was deemed to be a revival of scientific management, a concept that Frederick Taylor argued could be applied to any institution. However, casting the principal in a role as a manager with a technical focus is portrayed as reductionist and dehumanising. Carr (1994, p 347; 349) describes it as an “accountant’s view of education” and one where “a technical orientation to their work places school principals in a situation where the constant tension between their professional educator role and their managerial role is to be settled on the basis of efficiency”.

The ensuing study makes use of both survey data and follow up interviews. 37% of surveyed principals had higher than average anxiety or depression scores. These principals were subsequently interviewed and it was found that the majority of factors contributing to their depression were work related. Carr (1994) identifies five main sources of emotional stress:

1. Lack of support from the government department overseeing the new efficiency movement
2. Heavy work demands and expectations from the department
3. Difficulties relating to other staff
4. Lack of support from both the government department and the union

5. Being forced into managerial activities which the principal viewed as outside their purview

As has been stated above, NPM reforms subverted traditional values of public servants such as probity and fairness. This view is supported by Carr's (1994, p 352) study where he mentions that "principals voiced a concern that they felt inadequately skilled for and in conflict with this (managerialist-technical) role and that this compromised their values". This concern was amplified because principals often felt that they had no control over their work environment (Carr 1994). His study indicates that school principals in Australia must travel a rugged path in order to progress their careers. On one hand they must pursue characteristics that lend themselves to empathy and innovativeness in achieving high educational outcomes whereas on the other hand they must fall in line with predefined processes and technical apparatuses that align with the department's 'economic realities'. Often these two goals cannot be pursued concurrently. This is one of the paradoxes of public service in Australia.

Hoque and Moll (2001) examine the role of accounting in managing change in a Queensland local government organisation. Significant changes, such as the introduction of Environment and Quality Certification reports, were argued to be centred on NPM ideals and emerged due to isomorphic pressures arising from the external environment. At the time these pressures manifested with the onset of the National Competition Policy which had stressed greater competition, accountability and efficient resource allocation. Economy, efficiency and effectiveness were therefore stressed under this new agenda and new accounting technologies, such as Program Budgeting, accrual accounting and performance measures, had to be employed (Guthrie 1995). Hoque and Moll (2001) conclude that changes to the organisational landscape had realigned the culture of the public sector and this had decreased employee morale.

Parker (2011) conducts a theoretically informed study that focuses on the key environmental influences that have shaped notions of governance in universities. The study is informed by neo-institutional sociology in attempting to explain the way in which universities conform to prevailing societal beliefs about what constitutes good governance. The theory states that, in today's environment, organisations will institutionalise formal operational and financial management processes to project an image that aligns with conventional models. This, it is argued, will allow the organisation to gain approval from those it identifies as its key stakeholders.

The impetus behind the isomorphic tendencies displayed by universities is argued to stem from a neo-liberal agenda that emerged most notably in the US and the UK around the time of Regan and Thatcher. Harvey (2005) sees neoliberalism as a utilitarian device where the promotion of property rights, free markets and free trade are argued to provide the greatest benefit to individuals. In universities, the extension of the neo-liberal agenda meant increasing commodification, corporatisation and privatisation. Parker (2011) finds that formerly influential academic units were overtaken by managerial approaches. They were thus redefined as teaching, research and administrative employees subject to KPI's that did not necessarily contribute to the overall goal of academics as researchers in a quest for knowledge. Student loans increased as did the researchers' commitment to meeting university and government demands for accountability. Teaching roles were similarly constrained by a focus on vocational demands. Cumulatively, these changes to the university landscape are argued to have resulted in a general corrosion of the traditional goals of universities. Parker (2011, p 445) notes that:

“...former values of liberal scholarly inquiry and critique, long term contribution to societal knowledge and culture, and service to the public interest are now

challenged by the requirement to serve a dominant and expansionist vocational and economic development focus evident across the university sector”

This case of mimetic isomorphism therefore sits at odds with the public interest whilst simultaneously privileging the private interests of a few. Moreover, Parker (2011) indicates that such practices can potentially become reified as core values become repeatedly bombarded by notions of efficiency.

Parker (2011) indicates that accounting plays an overt role in servicing a performance accountability culture. He (2011, p 446) notes that, “accounting is heavily implicated in this construction of a reconfigured accountability that arguably has shifted from broad scope accountability to society and community, to one of primary financial accountability to government”. Budgeting is particularly relevant in this context as it is vital to the financial and subsequently operational actions within universities where it becomes a “vehicle and language for strategy shaping, performance monitoring, funds re-allocations, expansion and contraction decisions and more” (Parker 2011, p 446).

Parker and Guthrie (1993) make an initial observation in regard to public sector accounting, not only in Australia but more generally. They (1993, p 60) note that public sector accounting “is viewed as a social phenomenon, developing from, and because of, its interaction with various social, institutional, and organisational contexts”. They also note that within the APS there existed a predilection for entrepreneurialism, commercialisation and privatisation of major functional areas. Lower level managers were granted more decision making authority and a new rhetoric emphasising efficiency, accountability, managerialism and a focus on outputs emerged. Advocates of managerialism, such as Keating (1989) and Paterson (1988), argued that the advantages exceeded the rational-legal bureaucratic form originally conceived by Max Weber. For example, Keating (1989) argued that the new managerialist system had created a rational basis of cost control rather than an ‘across the board’ basis of cost

reduction. However, other authors pointed to tensions arising from a strictly results oriented approach. Yeatman (1990), for example, noted that the results orientation may subjugate people to processes thereby impeding social concerns.

From these premises, Parker and Guthrie (1993) seek to contrast corporate notions of accountability and associated accounting technologies with the unique goals of the APS which had traditionally valued issues such as fairness and probity. They (1993) note that the actions of officials are open to a higher degree of public scrutiny in the public sector thus creating unique forms of accountability. This is justifiable because public servants are ultimately accountable to the public and are therefore engaged in actions which are deemed to be in the public interest. Hence, in terms of financial reporting, the discharge of accountability must be “a function of public expectations” (Parker and Guthrie 1993, p 71). Parker and Guthrie (1993) note that debates over appropriate accounting technologies to service this role, such as cash or accrual accounting and performance audits, are ongoing. They (1993) conclude that the results orientation, espoused by private sector imperatives such as efficiency, is not incompatible with notions of accountability but more attention must be directed to the latter if the Australian public sector organisations are to uphold their unique missions.

Dixon (1996) illustrates the changing nature of the education of the civil servant in Australia. Traditionally, public servants were expedient in their exercise of judgement relating to ‘politically sensitive’ issues. This, it is argued, was a result of a combination of training and on-the-job experience which would ultimately lead to a convergence of civil service culture. This passive approach to management training tended in another direction as a result of the new emphasis on managerialism and the Coombs Royal Commission which indicated that such methods would no longer suffice. A more formal process was therefore put forth which emphasised a more “realistic definition of management skills and their application” (Joint

Committee of Public Accounts 1982, p 2). To achieve this aim, it was proposed that the education of the civil servant should include a regiment of higher education, residential management courses, seminars and workshops. In particular, a course entitled the Public Sector Management Course was introduced and received post-graduate standing. Dixon (1996) puts forth the notion that the underlying goal was to make public managers more like business people. The belief in a generic form of management, supported by influential thinkers such as Drucker (Gazell 1994), is, however, deemed to be illusory. Dixon (1996) whittles this argument down to the fact that, within the public sector, there is “political control over resources and management processes”, which forces managerialist public servants to work in a paradoxical environment. Dixon (1996) proceeds to outline nine paradoxes which pervade the public sector environment. The most pertinent for the purposes of this research is paradox 1. This paradox is premised on the fact that managers have been given a mandate to improve efficiency and effectiveness thereby rendering them accountable for the inputs used to produce outputs (which in turn generate outcomes). These outputs and outcomes are, however, difficult to quantify or even conceptualise. Furthermore, these outcomes must relate to program, policy and customer objectives which may be similarly difficult to quantify and may also be mutually incompatible.

Dixon (1996) sees the role of the public manager as one that cannot conform to private sector norms. He indicates that there is more to public management than the exercise of the skills necessary to manage human, financial and physical resources. The manager in public sector organisations must also tend to other concerns such as the “anomalies, contradictions, confusions and uncertainties of the regulatory and accountability regimes, not to mention the ethical challenges created by the juxtaposition of administrative power with ambiguity, complexity and indeterminacy (Dixon 1996, p 77). These concerns are potentially obfuscated by the emphasis placed upon private sector managerial approaches.

Mir and Rahaman (2007) conduct a case study which explores the role of accounting in a continuously reforming government agency in NSW. This study makes use of multiple sources of data including observations, interviews and publicly available archival discourse. The authors utilise Levy's (1986) and Laughlin's (1991a) theories of organisational change to frame the study. Over disparate periods, the authors noted that there existed varying levels of organisational change. Some of these changes were consistent with a 'second order' or 'colonising' role (Levy 1986) where "accounting technologies played both technical and symbolic/non-instrumental facilitating roles" (Mir and Rahaman 2007, p 263). Whilst these changes permeated the organisation, Mir and Rahaman (2007) note that there were conflicts between the new accounting systems and the old bureaucratic procedures. Accounting was therefore used symbolically to render inefficiencies 'economically visible' and to signify to staff members that new organisational teleology and associated operations were imminent (cf. Covalleski and Dirsmith 1988). It was also used to "introduce technical efficiency through systems of control" (Mir and Rahaman 2007, p 259). The introduction of accounting technologies such as budgeting and planning systems, internal management reporting systems (e.g. performance indicators and overhead analysis), asset registers, internal audit, financial performance indicators and, most importantly, the use of accrual accounting, were reviewed periodically and were discovered to have been applied in only a limited way. The authors conclude that the use of private sector accounting technologies was limited because old bureaucratic procedures had become internalised by organisational participants. These findings are consistent with Broadbent and Laughlin's (1997) study on the use of absorption techniques by organisational participants to resist change. The upshot of such a study is that reforms in the public sector may be caressed into action more easily in an adaptable environment where there may be fresher people who are less attuned to bureaucratic procedures.

#### 4.4 Conclusion

Organisations within the APS and many other Western democratic public sectors have implemented significant NPM reforms over the past three decades. In Australia the application of NPM principles had gained consensus by the 1980s. By the 1990s these reforms had gained the status of an ‘unchallenged orthodoxy’ (Carlin 2006). The application of NPM principles in Australia is enduring and has been applied throughout the APS to meet the contemporaneous demands of society (Australian Public Service Commission 2003). While seemingly losing some of its lustre (Falconer 2006; Levy 2010), NPM is also pursued in many other Western democratic government organisations (Lapsley 2009).

In this chapter the doctrinal elements of NPM were described and situated at the forefront of administrative initiatives in Australia. This, it is argued, has been reflective of a drive towards a more efficient, effective and accountable public sector (Jones et al 2001). Whilst these reforms have progressed with little inhibition, much of the criticism and warnings associated with these reforms has been ignored (English et al 2004). Funnell (2001) and Parker and Guthrie (1993) for example argued that unless attention was redirected towards non-financial outcomes or social obligations, democratic accountability would suffer. Others such as Meier and Hill (2005) and Rhodes et al (2008) debate this and indicate that democratic accountability manifests in the actions of public servants. They argue that democratic accountability has not been replaced but rather adapted in response to institutional pressures. One of the purposes of the current study is to examine this claim.

The above review of NPM literature converges on incompatibility. That is, the promises put forth by governments have not yet crystallised and the rhetoric of NPM advocates appears to be just that.

The above review of NPM literature also noted that the main focus of NPM reforms has been on implementing private sector technologies including the introduction of devolved

budgeting and accrual accounting (Ellwood and Newberry 2007; Carlin 2003, 2005a, 2005b;). Other literature is conceptual in nature and examines the applicability of cross sectoral accounting practices (Christenson 2007; Barton 2005). Many studies (not reviewed here) have been quantitative seeking to understand how the introduction of such accounting technologies has impacted on the efficiency of the organisation. But little attention has been paid to providing contextual knowledge on the impacts of these reforms. Pollitt (2003) and Jones et al (2001) indicate that if transfers of private sector accounting technologies are to be successful then more attention must be directed at providing contextual knowledge about what works and what does not. Humphrey and Miller (2012) problematize this question by asking accounting researchers to seek an understanding of what happens when accounting reforms are put into practice in various public sector organisational contexts. This will provide us with the toolset to assess the impact of public sector reforms and provide grounds for future policy direction.

Empirical studies that have addressed this question have attempted to understand the impact on culture, people and organisational change. Many of these studies adopted a social constructionist approach to public sector accounting research (Broadbent and Laughlin 1998) and utilised a theoretical framework to interpret the results of qualitative data retrieved through field research. The literature above has indicated a predilection for institutional theory (Meyer and Rowan 1977; Di Maggio and Powell 1983) and in most cases the theory reliably captured the essence of the reforms, thus the mimicry of business goals, accounting technologies, accountability regimes, strategies and performance measures is often interpreted as a case of mimetic or coercive isomorphism (Leicht et al 2009; Jones and Jacobs 2009; Parker 2011; Parker and Gould 1999; Edwards et al 1995) where organisations in the public sector seek to gain legitimacy from interested stakeholders by aligning with 'mythical' ideas of what constitutes good governance.

This thesis seeks to identify and examine accounting technologies related to NPM in NSW public schools and provide an understanding of how and why these technologies emerged. Devolution of budgetary responsibility coupled with the installation of accounting technologies including accrual accounting and SAP are identified as important addendums to the managerial landscape at public schools. Questions of ‘how’ and ‘why’ budgetary delegation occurred will be attempted to be answered via use of a theoretical framework and is the subject of analysis in Chapter Seven. However, unlike much literature identified above which focussed on institutional theory to interpret results, this thesis, at least partially, utilises Giddens’ theory of structuration with special reference to NPM at NSW public schools.

## Chapter 5

### Theoretical Underpinnings and Methodological Overview

*“What must be the nature of the world... if human beings are able to introduce changes into it?”*

*(Ricoeur in Dauenhauer 1998, p 113)*

#### 5.1 Introduction

As has been mentioned in Chapter One, the trend towards economic rationalism and neo-liberalism has been a pervasive agenda for many public sectors around the world (Pusey 1991; Ellwood and Newberry 2006). Factors contributing to the impetus for reform were briefly outlined in Chapter Three and were largely attributable to what O’Conor (1973) described as a ‘fiscal crisis of the state’. Thus much of the discourse surrounding the change has imbued concepts such as cost, efficiency and performance accountability with a potent rhetoric that has created a groundswell of support for principles such as those associated with NPM. Set against the backdrop of rationalism, the language of accounting is often seen as a neutral arbiter of economic realities, instrumental in nature and free from bias. As Hopwood (1994, p 299) mentions, “(A)ccounting is increasingly seen as a pervasive and highly generalised technology that can contribute to the functioning of a very wide range of organisations and socio-economic processes”.

Over the last three decades of New Public Managerial reform, much accounting research has embraced this perception (Broadbent and Guthrie 1992; Humphrey and Miller 2012). These studies have provided accounting with a taken-for-granted nature and are typically concerned with fine tuning the accounting praxis instead of seeking to provide an understanding of or challenge the underlying rationale. As Hopwood (1983) argues, this has enabled the practice of accounting to become detached from its organisational context and has reinforced the view that accounting is a neutral practice. It follows that acquiescence on behalf of those who are

not well versed in the language of business can lead to reification thereby propping up the current orthodoxy (Dillard 1991; Parker 1994).

There is now a growing body of ontological constructivists who seek to challenge the current orthodoxy. These researchers submit that the actions of reformers are predicated on a rationale that is divorced from the viewpoint of ontological realists who see accounting as a neutral practice. Indeed, reference to accounting as a 'language' (cf. Bloomfield 2008) implies that accounting is imbued with meaning and, as with all languages, those meanings can only be appreciated in a context. The studies of Hopwood (1979) and Burchell et al (1980) arguably had the greatest catalysing effect on the alternate research paradigm. For example, Burchell et al (1980) argued that, within both private and public sectors, accounting practices are not simply neutral technologies used to reflect business activity but are malleable instruments used to "create a particular conception of organisational reality" (p 5). This is a sentiment reinforced by Hines (1988) who demonstrated the power of accounting to construct *a* reality, not *the* reality. This alternate view of accounting has gained credence amongst accounting academics in recent decades.

Broadbent and Guthrie's (1992) review of 'alternate' public sector accounting literature outlined how meaning is constructed by providing an exposé of the way in which accounting interacts with society and the organisation. Much of the alternate accounting literature reviewed by Broadbent and Guthrie (1992) demonstrated that accounting developments are both formative of and formed by social, political and organisational contexts. Armed with the knowledge that accounting does not remain static but responds to certain pressures, Chapter Six seeks to analyse reforms to accounting practices in public schools. The theories that embrace the constitutive nature of social action prop up the findings of Broadbent and Guthrie (1992). In particular, the approach adopted for this research is qualitative and parallels recent 'alternate' studies of accounting in the public sector (cf. Covalleski and

Dirsmith 1986; Hoque 2005; Mir and Rahaman 2006, 2007; Tooley and Guthrie 2007; Bisman 2008; Alam and Stewart 2009; Hyndman and Connolly 2011). Context is stressed in this approach. Qualitative research is deemed most apt for the purposes of this research because the researcher need not reduce the study to contextual variables as in a quantitative study but seeks holistic, in depth analysis of both context and practice (Gaffikin 2008).

The remainder of this chapter proceeds as follows. Section 5.2 provides an introduction to the researched organisation; identifies several contextual factors that are deemed relevant to the study; and critiques School Annual Reports as a source of observational data. Section 5.3 explicates the research design, provides an illustrative and holistic representation of the framework for this study and outlines the research questions in this thesis. Reliable claims to knowledge can only be made from philosophical foundations and Section 5.4 explicates these bases. Burrell and Morgan's (1979) framework is utilised to situate the study. Section 5.5 elucidates the methodical approach used in two distinct phases of this research. Section 5.6 contains methodical notes on interviews, ethics and reflexivity. Section 5.7 concludes the chapter.

## **5.2 Introducing the Researched Organisation**

As previously mentioned, this research investigates the use of accounting technologies including accrual accounting, output based budgeting and the use of an enterprise resource planning (ERP) technology in the context of a reforming education sector. An overview of the reforms that have been permeating the education sector illustrates that most of the doctrinal elements listed in table 4.1 have shaped the reform schedule.

The most salient doctrines in the 'down group' movement (Dunleavy and Hood 1994), i.e. the convergence of private and public sectors, appears to be the disaggregation of public sector units or devolution of decision making authority. Devolution is defined as "the transfer

to a subordinate elected body, on a geographical basis, of functions presently exercised by Ministers and Parliament” (Bogdanor 1999, p 2). Devolution is coupled with an emphasis on private sector management style and parsimony in resource use.

The most salient doctrine in the ‘down grid’ movement (Dunleavy and Hood 1994), i.e. the movement from accountability for inputs to accountability for outputs and outcomes, appears to be emphasis on ‘hands on management’. This has forced principals and SAMs to acknowledge the remaining ‘down grid’ doctrines. Hence these individuals must pay closer attention to performance of their schools, both in terms of outputs and student outcomes, and maintain or initiate cost controls relating to outputs.

The remaining doctrine, movement towards contract based competition, is not absent but manifests as a result of the other six doctrinal elements of NPM. That is, the contractualisation and casualization of employees is a result of the emphasis placed on parsimony and costs and a focus on outputs. Contractualisation is made possible by the devolution of decision making authority.

Examination of the above mentioned doctrines and accounting technologies will be conducted at one local government secondary school in the Illawarra region. One of the aims of this research is to gain an understanding of the latent motivations for reforming public sector accounting practices and their effects on student outcomes. This research is therefore contemporised by its proximity to current reforms and is prospective in its endeavour to unveil what is yet to be known about financial management at public schools.

#### **5.2.1 The Research Site – A NSW Government Secondary School**

The NSW schooling system is diverse and must accomplish a wide range of goals. The context of each school will vary depending on several factors including the demographics and socio-economic status of a community (which will affect the curriculum offered and funding

arrangements), the institutional structures associated with the particular school (schools in NSW are classified as either private, public or Catholic), the age group the school caters to (pre-school, primary school or secondary school), the size of the school, the number of subjects offered, the expectations of the students and the level of responsibility attributed to the students (DET 2007). Public secondary schools are contrasted with private schools in that they are funded primarily by the state government and contributions made by parents are nominal and usually small. Government funding is a necessary facet of the schooling system in developed countries where education is a right, not a privilege.

The researched school is a medium sized public secondary school. Secondary schools are typically the largest educational facilities below the tertiary level thus they are endowed with significant funds in order to achieve their objectives. In NSW, secondary schools cater to students aged between 11 and 18 and consist of 6 years of schooling, namely years 7-12. The school is considered an above average performer with regard to NAPLAN results. It is situated in a middle class suburb and provides access to a broad range of subjects including those which require specialised teachers and some self-funding such as woodwork and advanced science. This ensures that the research is relatable to the criticisms outlined by the NSWTF. One of the main criticisms identified in Chapter Three was that specialised teachers and support staff would be made redundant under a devolved system of management and this would lead to worsening student outcomes.

There are very few private schools in the Illawarra region thus students and parents place significant expectations on the researched school. It operates under the auspices of an experienced principal and financial management team. Many public secondary schools are not fortunate enough to have access to such experienced staff. While the results of field research may not be generalizable, the quality and experience of the team allows for a more reliable empirical basis and freedom to interpret the data (Yin 2009). An inexperienced team

may not be able to provide reliable data or insight into operations. Field research is supplemented with data extracted from public discourse, observations and the school's annual report.

### 5.2.2 School Annual Reports

In NSW, all government secondary schools have been required to publish annual reports since 1997. These reports are an important element in discharging a school's accountability to the parents of students, to the community, to the DEC at the state level and to the Department of Education, Employment and Workplace Relations (DEEWR) at the Commonwealth level. A critique of these reports is presented below and indicates that, while they are an important source of corroborative data, school annual reports provide limited useful information for the purposes of this research.

Although Stewart's (1984) 'ladder of accountability' appears arbitrary on face value and problematic at worst (Ezzammel et al 2004), it is a pragmatic tool for considering the usefulness of school annual reports. School annual reports range in length from 10 pages to 30. They are not professionally prepared and present limited amounts of raw accounting information. They are largely descriptive and qualitative offering information with regard to the achievement of national standards. Based on this description, school annual reports are an important tool with regard to the middle rung of Stewart's (1984) ladder – 'performance accountability'. Readers such as parliamentarians and citizens to whom the school principals as public servants are held accountable will not suffer 'information overload' (Ezzammel et al 2004) by accessing these reports.

Tooley and Hooks (2010) conducted a study on the usefulness of school annual reports in New Zealand. School annual reports in New Zealand are similar to those in Australia and are an important element in informing and discharging accountability to relevant stakeholders. The study examines the dual roles of school annual reports as an instrument of accountability

(performance accountability and stewardship) and/or decision usefulness. Performance accountability is assessable through both quantitative and qualitative information in school annual reports and is based on efficient and effective use of resources. A stewardship relationship is deemed to exist where trust is placed on an individual who must therefore provide an account of their actions to ensure that delegated power is not misused. Decision usefulness, on the other hand, is serviced where those accounts inform external users, such as parents, and allow them to make knowledgeable decisions such as which school to send their child to.

In their study the dual role is acknowledged but Tooley and Hooks (2010) focus on the accountability aspect of school annual reports. The reports are comprised of quantitative information in the form of audited financial statements as well as qualitative descriptive information about the school's aims, achievements, subjects and community involvement. While recognising that there are other sources of information about the school's performance, Tooley and Hooks' (2010) study proceeds on the premise that school annual reports are, "an important component of the overall accountability framework that allows schools to legitimise its performance to those to whom it is accountable" (p 40).

The most pertinent finding which informs the current study is that reader-respondents found school annual reports to be of more use in servicing the accountability function than the decision usefulness function. Whilst this is true, dependent reader-respondents (parents) found greater decision usefulness than non-dependent reader respondents (teachers, administrative staff and government departments). This was attributable to the fact that non-dependents have better access to other forms of information to guide decisions related to school matters. Furthermore, dependents had a direct linkage through their children to the school and therefore found informal methods, such as talks with their children and parent teacher meetings, to be more important tools for both decision-usefulness and accountability-

usefulness. Non-dependents may arguably have greater understanding of the official role of school boards from a governance perspective and therefore found formal methods of accountability, such as school annual reports, to be more accountability-useful (Tooley and Hooks 2010).

Because the researcher is a non-dependent, observations from school annual reports will be used to consider the accountability-usefulness aspect, thus remaining consistent with Tooley and Hooks' (2010) findings.

The details of school annual reports used for accountability-usefulness are those which “determine if the school has conducted its activities effectively, can meet its financial obligations and has adhered to a budget” (Tooley and Hooks 2010, p 54). Accounting activities in school annual reports are thus intricately linked to the discharge of performance accountability as they inform users whether schools are utilising resources efficiently and effectively. Similarly, accounting activities in school annual reports are an important aspect from a stewardship perspective since they match outcomes with inputs thus displaying limited information regarding the judicious use of resources. In both scenarios it can be seen that school annual reports serve a monitoring purpose. While Tooley and Hooks (2010) indicate that they are of limited use, observations from the researched school's annual report are used to substantiate the arguments Chapter Six of this thesis.

Observations, including those garnered from school annual reports and analysis of public school reforms and discourse will be considered in tangent with data gathered through field research. A more acute description of the methodical approach in this study is made after considering the design and philosophical underpinnings of this research.

### 5.3 Research Design

Before formulating the research problem for this thesis the author had to grasp and appreciate the context within which the topic of investigation existed. This was achieved by examining NPM reforms in public sectors broadly and then drilling more deeply down into the NSW public sector specifically. It was deciphered that many of the reforms resulted from a constrained economic environment where governments had to make use of resources more efficiently and effectively in order to meet the demands of constituents. This set of circumstances led to the manifestation of certain accounting practices in the public sector generally and public schools specifically. One of the practical problems addressed by reforming accounting practices in public schools was a matter of optimising financial management (DEC 2011). Notable accounting technologies introduced in public schools in order to address this practical problem included accrual accounting and the ERP technology, SAP. It was noted that these practices emerged directly from the private sector where they had served the needs of investors suitably, however a background investigation pointed to discrepancies between the goals of the two sectors. A literature review was conducted to examine this incongruity.

The literature review was conducted to hone the knowledge in regard to NPM and public sector accounting practices. The body of knowledge was then used to develop a research context and to extend or fill an existing research gap. The review of academic and government publications indicated that the approach to public sector management known as NPM, whilst potentially rhetorical and seemingly apt, contained some inherent flaws and had been resisted by many academics, employees, managers and policy makers within the public sector (cf. Hood 1995; Pollitt 2000, 2003). The research issue that emerged from this review is in no way intended to automatically solve the practical problem identified; however a

resolution to the research issue may produce information that assists in policy direction in the future.

Resolution of the research issue in this study includes both descriptive and sociological aspects. Thus accounting technologies in public schools are described and examined in order to gauge their effect on financial management and to appreciate the opinions of those employees tasked with this role. Following this, the potential for a theoretical and sociological interpretation using Anthony Giddens' theory of structuration is examined and internalised. The goal is to discern the latent motivations and overall usefulness of the accounting technologies in question. The research issue may therefore be explicated as follows: Do reforms to accounting technologies contribute to the optimisation of financial management in NSW public schools? What interpretation can be made with regard to the introduction of these technologies?

Several research questions may be derived from this research problematic. Covaleski and Dirsmith (1990, p 552) mention four types of questions that may be included in interpretive research. These include: (i) how does order through the production and reproduction of social processes become institutionalised?; (ii) 'what are the institutionalised rules that govern the social world?; (iii) how are these rules constructed?; and (iv) what are the motivations of action within the social world? In respect of this typology, the questions considered in this thesis are: What accounting practices associated with NPM reforms have been introduced in NSW public schools? How do principals and School Administration Managers (SAMs) manage the day to day financial operations of NSW public schools? What new visibilities and accountabilities have been created since the introduction of the above accounting practices? To what extent have accounting reforms impacted upon student outcomes? What is the sociological interpretation of the introduction of accounting technologies? In other words,

what were the motivations for institutionalising the accounting technologies in NSW public schools?

The strategy for approaching the research problem consisted of two phases. Each phase is treated distinctly in two separate chapters of this thesis, however data gathered in the field through semi-structured interviews was accumulated concurrently. The examination of accounting practices in Chapter Six informs the reflexive arguments in Chapter Seven where Giddens' theory of structuration is posited as a valuable theoretical tether to interpret 'how' and 'why' changes to accounting practices took place.

Chapter Six represents phase one of the research. The objective in this phase is to identify changes in accounting practices at NSW public schools, discern what, if any, new visibilities and accountabilities have been created by these changes and locate these changes within the broad approach to public sector management known as NPM<sup>27</sup>. The analysis conducted in this phase of the research involves a process of iteration between the researcher and interview participants and experts to ensure that findings are accurate and up to date. Lincoln and Guba (1985) identify this strategy of validation as 'member checking' and mention that "it is the most critical technique for establishing validity" (p 314). The approach to member checking in this thesis is consistent with Creswell's (2007) approach where written analyses, not raw data, are taken back to participants who then reflect upon and discuss the accuracy and validity of the analysis.

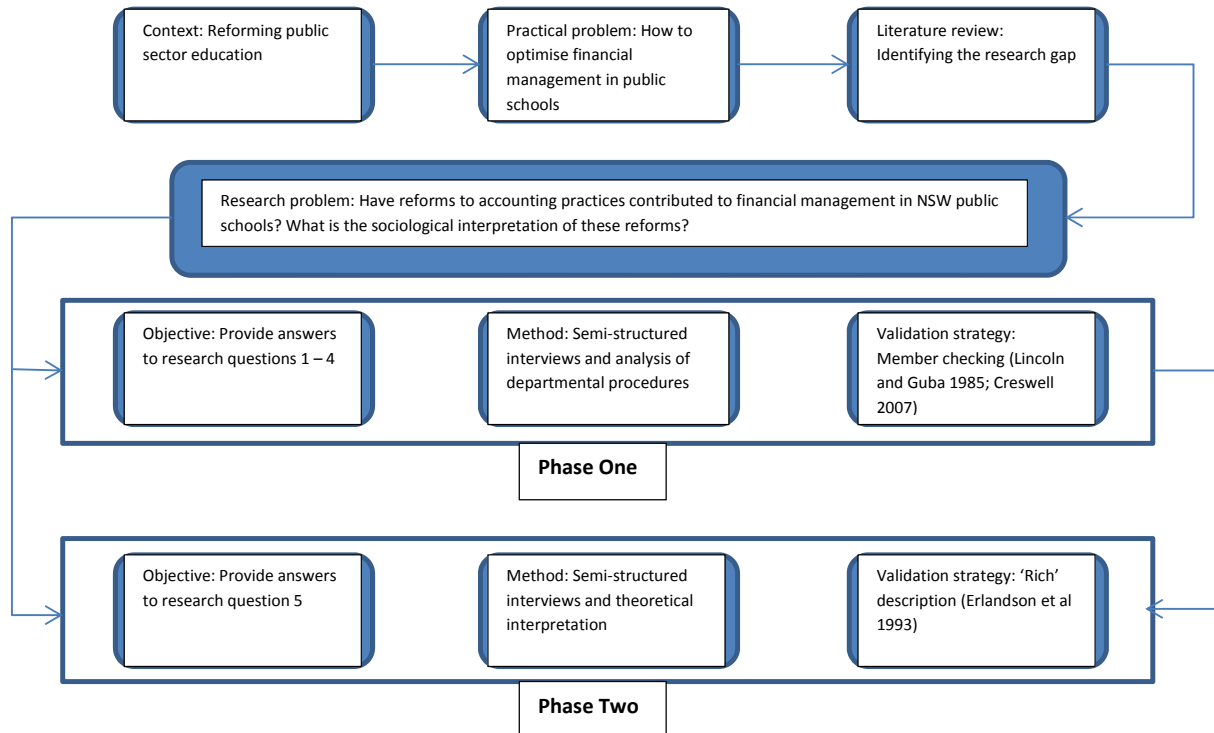
Chapter Seven represents phase two of the research. In an implicit way, the leitmotif of Giddens' theory of structuration will be used to put forward the claim that accounting technologies identified in phase one, whilst seemingly rational and neutral, are actually

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<sup>27</sup> NPM practices were not absent from the public education sphere in NSW. Many studies have indicated not only a predilection for managerialism within the NSW public sector generally but also a particular inclination within public education in NSW. As this study is set against a backdrop of reform within public education, the intent is to identify which NPM doctrines have become more prominent. The contemporaneous nature of the study therefore extends the debate surrounding the application of NPM principles.

constituted by, and are vital in the constitution of, organisational realities and structures within the public sector. The core concept of Giddens' theory, the 'duality of structure', is thereby maintained. This phase involves an interpretive step on behalf of the researcher.

**Figure 5.1 – Research Process in this Thesis**



As will be indicated in section 5.4.1.3, the claim is that accounting practices in the public sector are emergent, often steered by NPM principles, and are therefore not considered to be neutral arbiters of organisational reality. Emphasis will be placed on understanding the interplay between the individuals tasked with financial management in public schools and the accounting and managerial technologies. The research design is depicted graphically in Figure 5.1. The philosophical underpinnings and methods involved in gathering data are considered in the following sub-sections.

## 5.4 Philosophical Underpinnings

Researchers in either of the broad scientific disciplines, natural science or social science, must come to terms with the similarities which saturate their endeavour. The pursuit of knowledge for both is guided by a scientific community and a set of scientific norms. Both are accompanied by pioneering academics with potentially hazardous ideas. Both are grounded in a set of conventional assumptions, the alteration of which can lead to “Radical Developments” (Chua 1986, in title).

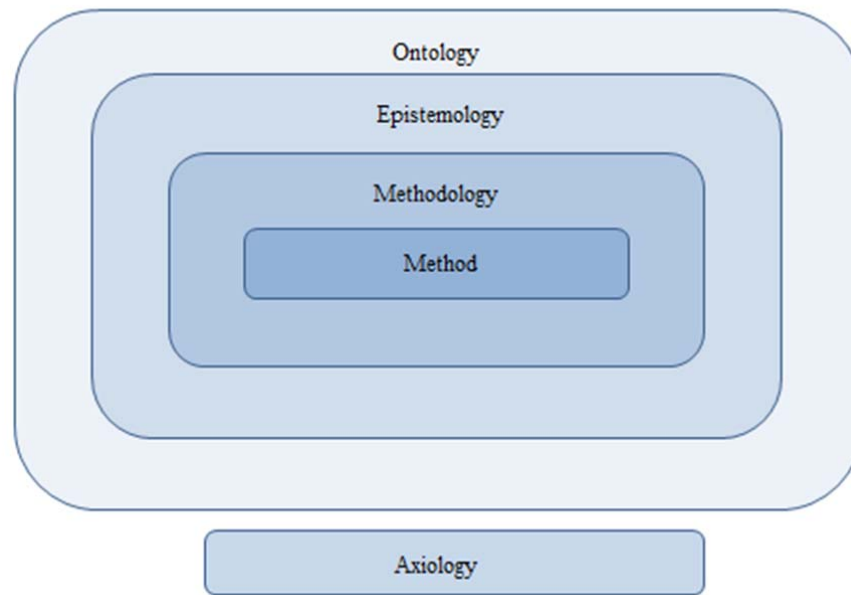
The purpose of this section is to outline the philosophical foundations which ground the research in a qualitative and interpretive approach to constructing accounting knowledge. This may be deemed alternative when contrasted with the paradigmatic or ‘mainstream’ approach which assumes that individuals are utility maximisers and that society and organisations are stable entities, the dysfunctionalities of which can be resolved through appropriate accounting controls. The mainstream approach also stresses an objective empirical reality, quantitative methods of data analysis, hypothetico-deductivism, the separation of theory from observation and the allowance of generalisations (Chua 1986). The intent here is to show that an eschewal of the mainstream assumptions in accounting research is justified. While such an approach may be deemed methodologically radical within accounting circles, it still adheres to the norms of the scientific community and is neither trivial nor dangerous. However, given the advances generated by ‘dangerous’ people such as Socrates and Galileo with ‘dangerous’ ideas like moral justice and heliocentrism, perhaps it is a pity that alternate accounting researchers are no longer considered dangerous – a pity to the extent that such consideration has historically served as a litmus test for profundity.

The ‘radicalness’ of the above researchers can be understood by reference to the assumptions or beliefs about certain philosophical domains which inform their research. Gaffikin (2008) indicates that these assumptions precede the ‘doing’ of research and are present either

implicitly or explicitly in any study. Gaffikin (2008) presents a graphical depiction in the form of concentric rectangles (see figure 5.2) to illustrate that, before adopting a method and actually ‘doing’ research, ontological, epistemological and methodological assumptions are made. The assumptions progress from the outside in. Hence, the researcher must adopt an ontological stance before considering epistemological issues such as how one is able to construct useful knowledge. The methodological framework is based on these two assumptions. From this an appropriate method for actually conducting research can be derived. This approach to understanding research is paralleled throughout accounting and social scientific literature (See for example Burrell and Morgan 1979; Dillard 1991; Chua 1986a; Creswell 2007; Neuman 2011).

Several authors have also pointed to the need to make axiological assumptions explicit. Axiological assumptions can be defined as the biases brought into any research endeavour (Creswell 2007). Thus the research can be conducted under the assumption that it will be either value-free or value-laden. For qualitative investigators, research is deemed value-laden: “the stories voiced represent an interpretation and presentation of the author as much as the subject of study” (Denzin 1989a in Creswell 2007, p 18). The current research is conducted in a fluid and contested political context as evidenced by the extent of media saturation as well as recent reforms and recommendations which resulted in industrial action. These contextual factors, coupled with the researcher’s constrained professional ideology (Burchell et al 1985), recent federal elections and the existence of personal beliefs about the ‘correct’ conduct of government, make axiological assumptions particularly relevant. In such a value-laden environment, intellectual integrity is gained through reflexive processes. These assumptions and reflexive processes are examined more closely in subsequent sections. An adaptation of Gaffikin’s (2008) ‘foundations of knowledge’ is presented in Figure 5.2 below.

**Figure 5.2: Philosophical Foundations of Research**



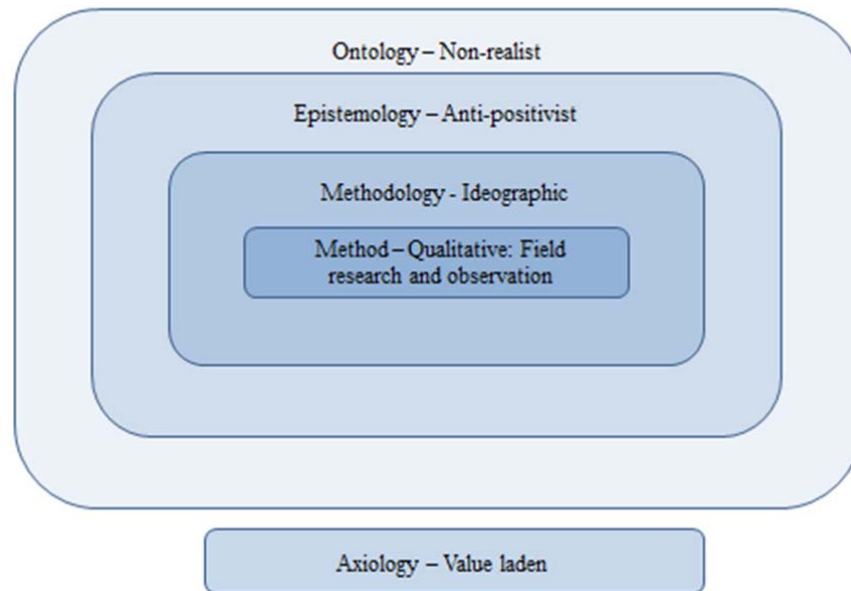
(Source: Adapted from Gaffikin 2008, p 8)

This research is conducted using a qualitative and interpretive approach. Despite Giddens' (1979) contention that all research in the social sciences must take on a critical perspective, this research stops short of this. The emancipation of the self and others from mental slavery (Marley circa 1979) is thus not a salient feature of this research. Elements of Giddens' theory of structuration are moreover utilised to appreciate the complexities involved in the production and reproduction of structures in society, particularly those related to accounting in the Australian and NSW public sectors. This research therefore stresses understanding as the major conduit to knowledge. The assumptions that are brought into this research are explicated in graphical form in figure 5.3 and are described further below.

Whilst Creswell (2007, p 11) notes that the philosophical assumptions brought to any scientific research should not be seen in the foreground, he also indicates that it is necessary to make these assumptions, whether conventional or 'radical', explicit. These assumptions may be thought of as broad philosophical domains such as ontology and epistemology. Many

authors have attempted to forge structured frameworks that aid in characterising research paradigms and assist in explicating these assumptions.

**Figure 5.3: Philosophical Foundations of this Research**



(Source: Adapted from Gaffikin (2008), Dillard (1991), Creswell (2007))

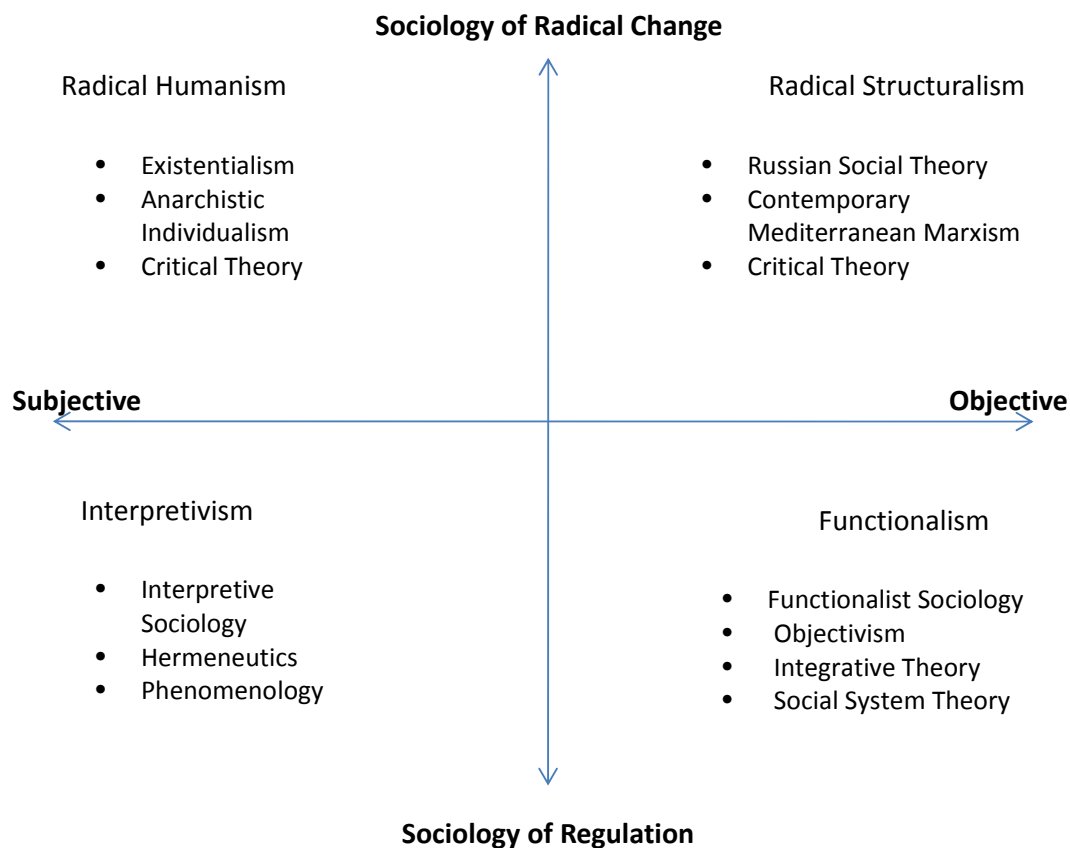
#### **5.4.1 Sociological Research Paradigms**

Burrell and Morgan (1979) developed a simplistic typographical model which categorises sociological theories based on two orthogonal dimensions, thus creating a two by two matrix and four distinct sociological research paradigms. This work has served as the basis of subsequent attempts to classify accounting research (Hopper and Powell 1985; Chua et al 1981) but has also met with criticism (cf. Chua 1986). The assumptions/beliefs outlined by Gaffikin (2008) above are implicit within Burrell and Morgan's (1979) model.

After the researcher positions him/herself within the model, a “commonality of perspective that binds the work of a group of theorists together” (Burrell and Morgan 1979, p.23) ensues from these premises. This model is a useful tool for characterising a set of research

assumptions. Figure 5.4 illustrates these assumptions on the two axes and frames the sociological paradigms as either functionalist (objective/stable), interpretive (subjective/stable), radical humanist (subjective/change) or radical structuralist (objective/change). Within each sociological paradigm there may be many internally consistent domains of inquiry. The ‘commonality of perspective’ alluded to above can be illustrated by reference to the ‘implicit metaphysical commitments’ (Burrell and Morgan 1979, p 233) made by social researchers. These are outlined in the following sub-sections.

**Figure 5.4: Classification of Research Paradigms**



Source: Burrell and Morgan (1979)

#### ***5.4.1.1 Ontology***

On the horizontal plane Burrell and Morgan (1979) make a distinction between subjectivity and objectivity. This reflects beliefs about the philosophical field known as ontology where

we ask the question of whether reality exists ‘out there’ waiting to be observed and is independent of the individual observing it (Tinker et al 1982; Dillard 1991; Gaffikin 2008). In sociological research generally and functionalist accounting research specifically, the objective researcher or ontological realist depicts an objective reality in which a topic of investigation, intangible structure or phenomenon can be described and rendered visible. It is a reality in which the existence of the knower can be separated from the known (Gaffikin 2008) and therefore detaches the technology<sup>28</sup> of accounting from its economic, institutional, organisational, social, etc contexts (Hopwood 1983). Although there is a groundswell of advocacy for anti-realism, the adoption of a realist ontological perspective in accounting research is prevalent (Broadbent and Guthrie 1992, Humphrey and Miller 2012).

Burrell and Morgan (1979) describe the two objectivist paradigms as structuralism and functionalism. Giddens sees the process of structuration as differing from these paradigms. He (1977, p 120) describes the difference succinctly where he indicates that, “structuralism – whether in its functionalist, Marxist or modern structuralist variants... regards the reproduction of social relations and practices as a mechanical outcome, rather than as an active constituting process, accomplished by, and consisting in, the doing of active subjects”. Moreover, Giddens indicates that the intellectual provenance of the above paradigms came into question particularly in European schools of sociological thought in the 1960s and 1970s. He mentions that these European sociologists became “unified in their rejection of the tendency of the orthodox consensus to see human behaviour as a result of forces that actors neither control nor comprehend” (Giddens 1984, p xvi). It is towards this subjective and constitutive nature of the self that modern social theory now tends. In so far as this may be true in social theory, accounting research has yet to fully embrace this subjective perspective.

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<sup>28</sup> The use of the word ‘technology’ follows on from previous discussion where technology was described as a field of knowledge. In other words, from a realist perspective what is ‘known’, i.e. accounting, is independent of the knower.

At the other end of the subjective-objective plane, the subjective researcher or ontological nominalist/social constructionist assumes that the social world that surrounds them is a human construct made up of various labels and concepts which serve as pragmatic tools to make sense of reality (Burrell and Morgan 1979, p 4). In other words, the non-realist perspective indicates that reality is derived from meaning which is contingent upon human thought.

A non-realist ontological assumption is made in this research. The structures and accounting technologies which comprise organisational and social reality are deemed to be socially constructed and dependent on human thought, which is often constrained by ideological impetuses (Burchell et al 1985). Context is emphasised because humans do not exist in 'states of nature'. As Hobbes (1651) indicates, "All men because are born in infancy, are born unapt for society and are made fit for society not by nature but by education". That education is notably dynamic, responding to certain external pressures and is formative of the context within which individuals and organisations operate.

The view that contextual factors are paramount in shaping human action is furthered by Lukka and Kasanen (1995) who emphasise the role of time and space in the way that organisational and social processes are shaped. These historical and geographical factors are also integral to Giddens' theory of structuration. Giddens applies this ontological perspective more acutely to the constitutive nature of human action. He notes that non-realist ontology is useful in conducting, "a conceptual investigation of the nature of human action, social institutions and the interrelation between action and institutions" (Giddens in Bryant and Jary 1991, p 201). Giddens, in one of his early works, reinforced this view and outlined the mechanism through which construction of social structures is made possible. He noted that social theory, "must incorporate a treatment of action as rationalised conduct ordered

reflexively by human agents, and must grasp the significance of language as the practical medium whereby this is made possible” (Giddens 1976, p 8).

Consistent with the ontological perspective adopted, the accounting practices and structures that currently exist in NSW public schools are considered to be subjectively created, through language, and are inseparable from the context within which they develop. The perspective is therefore consistent with accounting academics who depict accounting in action as emergent, dynamic and socially constructed (Hines 1988; Lukka and Kasanen 1995; Burchell et al 1980; Lodh and Gaffikin 1995). In ‘doing’ research the next question must logically be, how does one cultivate knowledge based on this ontological perspective? An excursion into the philosophical field of epistemology assists in resolving this question.

#### *5.4.1.2 Epistemology*

Epistemological assumptions represent beliefs about what constitutes the grounds for the creation of knowledge – and therefore how one might distinguish between what is sound and unsound knowledge (Hopper et al 1995). The philosophical field of epistemology thus goes beyond the validity of an argument. It seeks to answer the question of whether or not the premises upon which an argument is based are sound and therefore whether we can conclude that an argument is (potentially) true or false. Presented aphorismatically, epistemology asks ‘how do we know what we know?’ Although the epistemological continuum is implicit within Burrell and Morgan’s (1979) model, it is nonetheless reflected in the subjective-objective plane and the authors make reference to it throughout their analysis of various sociological paradigms. Gaffikin (2008) indicates that an epistemological assumption is derived from an ontological stance.

Unfortunately this sequential proposition contains inherent dilemmas. For instance, if we are to presuppose that an ontological assumption precedes an epistemological one (Gaffikin 2008) then we may still pose the question ‘how do we know what exists?’ In other words, if

‘what exists’ is believed to be a construct made up of various labels and concepts, then this assumption requires justification of an epistemological nature before it can be deemed axiomatic or even acceptable as a starting point. Another problem lies in the dichotomisation between what is ‘true’ and what is ‘false’ because this is necessarily predicated on an epistemological stance about the essence of knowledge – thus risking another intellectual circularity. This is perhaps why the authors do not use the terms ontology and epistemology as sequential propositions but rather as an ‘association’ (Burrell and Morgan 1979, p 1). The ontological and epistemological assumptions upon which this research is based are thus viewed as mutually reinforcing. The iterative nature of the two philosophical fields indicates that the construction of valid and useful knowledge based on the qualitative approach adopted must consist of a process of reflection. This reflexive process internalises the question ‘how do we know’ and produces rigour throughout the study. Reflexivity is discussed further in section 5.6.2.

The anti-positivist epistemological assumption made in this research supports the non-realist ontological assumption (Gaffikin 2008). Thus the acknowledgement of underlying causal relationships is eschewed in this research and the acquisition of knowledge is deemed to be relativistic (Dillard 1991). This in no way implies that reliable knowledge is merely a matter of one’s own cognition. On the contrary, the research conducted in this thesis follows on from what can be referred to as ‘traditional knowledge’ and ‘evidentialism’. Traditional knowledge is based on Plato’s tripartite theory of knowledge and states that three conditions are required and jointly sufficient for knowledge or justified true belief. These conditions are as follows:

1. One cannot know a falsity, therefore knowledge requires truth.
2. One who proposes knowledge must believe in that proposition, therefore knowledge requires belief.

3. Propositions about knowledge may be correct as a matter of luck, therefore knowledge requires justification.

The first two conditions require no further discussion, however there is still the question of what makes a belief 'justified'. According to evidentialists, justification of knowledge requires evidence in the form of perceptual, introspective, memorial or intuitional experiences. In other words, what makes a person justified in believing 'X' is one's having an experience that represents 'X' as being true. Relativistic portrayals of knowledge subscribed to by anti-positivists are therefore true in as much as they represent 'justified true belief' and are supported by evidence. As a researcher then, "knowing comes from experience as an actor in the social world" (Dillard 1991, p 11). This statement has important methodological implications.

#### *5.4.1.3 Methodology*

Methodology is imperative because it makes the scientific process possible and any researcher (or layman) intent on seeking knowledge adopts a methodological stance either implicitly, explicitly or tacitly. Methodology may be defined as the 'framework' used in the acquisition of knowledge (Gaffikin 2008) or the 'procedures of research' (Creswell 2007).

As has been mentioned above, accounting research has progressed largely under the positivist assumption which is grounded in objectivity. Burrell and Morgan (1979) situate this approach within the functionalist paradigm. Researchers in the functionalist paradigm assume a rational, orderly and stable world. Thus, according to this approach, concrete empirical artefacts and causal relationships can be identified, studied and measured through observation and deduction. This methodological approach is described as nomothetic (Dillard 1991) and pertains to the study of universal laws.

The research conducted in this thesis eschews this approach and proceeds under the interpretive paradigm. This approach is suited to managerial and accounting research because

we are interested in seeking empirical data related to organisational processes and structures (Llewelyn 2003). Research in this area has thus gained much credence in recent decades (Broadbent and Guthrie 1992, Chua 1988; Irvine and Gaffikin 2006; Llewelyn 2003).

As was established in the previous sub-section, “knowing comes from experience as an actor in the social world” (Dillard 1991, p 11), and therefore the interpretive researcher makes an idiographic assumption with regards to research methodology (Dillard 1991). Under this approach the human ‘actor’ is deemed to be cognisant of the world that surrounds them and is able, in their capacity as an agent, to both interpret and construct meaning with regards to social phenomena (Giddens 1979). The interpretive approach therefore “seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of the participant” (Burrell and Morgan 1979, p 28). Under this approach subjectivity is stressed and an effort is made to understand the meanings of social processes often through qualitative methods of inquiry (Burrell and Morgan 1979; Giddings and Grant 2002).

The qualitative researcher follows the logic of induction. This means that observations made in the field and other mediums take primacy. Theoretical, literary or personal perspectives, whilst informative and often useful to make sense of empirical data, do not factor deductively into the fledgling qualitative study. Thus the research questions may evolve as new empirical data emerges. This allows the researcher to adapt the research questions to the research problem and potentially modify the methodical approach (Creswell 2007; Neuman 2011). The qualitative research methodology utilised in this research may therefore be characterised as “inductive, emerging and shaped by the researcher’s experience in collecting and analysing the data” (Creswell 2007, p 19).

It is important to note that the concept of *verstehen* (understanding) developed by Dilthey and later by Weber within the interpretive research paradigm (Burrell and Morgan 1979) is

slightly modified for the purposes of this thesis. Conceptually, *verstehen* refers to a distinction between the natural and social sciences. Dilthey (1976) indicated that idealistic and relativistic methods of social research were weakened by their reliance on intuition and metaphysics. He resolved to foil this weakness by distinguishing between natural sciences, which involved examination of external processes in the physical world, and cultural sciences, which investigated the internal processes of the individual's mind. Dilthey thus maintained that, "the outward manifestations of human life needed to be interpreted in terms of the inner experience which they reflected through the *method of verstehen*" (in Burrell and Morgan 1979, p 229, italics in original). This, Dilthey argued, would allow researchers in the social sciences to generate scientific knowledge that was objectively comparable with that in the natural sciences.

Weber furthered this theme. Dissatisfied with the posturing positivist and 'unscientific idealist', he proceeded to build a bridge between the two. Central to his contention was the idea that causal relationships in society were ascertainable but these could only be understood at the level of the individual. The method of *verstehen* was therefore to be utilised as an interpretive and analytical device for explaining human action and was premised on the individual's ability to rationally generate subjective meaning.

As can be seen in Figure 5.4, the method of *verstehen* contained within the interpretive research paradigm emphasises social order – the structures within a given society are deemed to be relatively stable. The analysis conducted in thesis extends this assumption. Whereas Weber sought to understand the way in which social structures are perceived by individuals and how these individuals rationally interact with those structures, Giddens is more concerned with providing an understanding of the way in which those social structures are produced, reproduced and potentially changed over time and space. From Giddens' perspective then, the assumption regarding the 'sociology of regulation' (Burrell and Morgan

1979) becomes relaxed. Central to Giddens' contention that social structures are malleable is a concept he refers to as the 'duality of structure'. In revising the deficiency of the structuralist and functionalist paradigms, Giddens indicates that "social structures are both constituted *by* human agency, and yet at the same time are the very *medium* of this constitution" (Giddens 1977, p 121, italics in original). *Verstehen* is thus applied not only to understand the structural influences on human action but also to understand how humans, in their capacity as social agents, generate and reinforce social structures.

### 5.5 Method of Inquiry

It can be seen that the framework of qualitative inquiry, the research methodology, follows on from the previous assumptions regarding ontology and epistemology. Whether sequential (Gaffikin 2008) or associative (Burrell and Morgan 1979), the propositions allow the researcher to derive an appropriate research method. The non-realist ontological assumption, anti-positivist epistemological assumption and idiographic methodological assumption indicate that *verstehen* (understanding) must involve closeness with the life world of the researched (Dillard 1991). As Burrell and Morgan (1979) put it, the 'commonality of perspective' within the interpretive research paradigm ensues because researchers are concerned with "understanding the subjective experience of individuals" (p 253).

#### 5.5.1 Strategies in Qualitative Research

Researchers can use a range of strategies in qualitative research including ethnography, historical-comparative, narrative, grounded theory, content analysis, discourse analysis, phenomenology, oral history or case studies. Recently there has been a press for accounting researchers to adopt a case based approach (Humphrey and Scapens 1996; Lodh and Gaffikin 1997; Irvine and Gaffikin 2006; Mir and Rahaman 2011), however to date there have been few studies that have engaged this technique (Broadbent and Guthrie 1992, 2007; Broadbent 1999). A review of contemporary public sector accounting literature reflects this dearth and

this was partially the reason for adopting the case based approach. Moreover, the contemporaneous, qualitative and in-depth analytical nature of the present study indicated that use of the case based approach was justified. As Ragin (1994, p 92) mentions, “Almost all qualitative research seeks to construct representations based on in-depth detailed knowledge of cases”.

Whilst ethnographic studies are interested in a specific group or organisation, Creswell (2007, p 73) outlines the difference between an ethnographic and a case study succinctly where he mentions that, “the intent in an ethnography is to determine how the culture works rather than to understand an issue or problem using the case as a specific illustration”. As the case study represents an exploration of a bounded system, a narrow view would see this approach as one that merely identifies a topic of investigation (Stake 2005). However, the view taken in this thesis is that it represents a comprehensive research strategy where a topic of investigation is studied, within a bounded system, and is used to guide data collection, analysis and findings (Stake 2005; Yin 2009). Creswell (2007) thus refers to the case study approach as a design of qualitative research or methodology.

A case study investigates the internal features of one or a few particular cases as well as the surrounding contextual factors (Neuman 2011). It also enables the researcher to link micro level observations such as organisational procedures to macro level factors such as structural and social processes thereby allowing a ‘third-order interpretation’ (Neuman 2011, discussed in the following sub-section). Thus the case based approach remains consistent with the goals of *verstehen* where we seek more concrete interpretations and remains true to the logic of induction in qualitative research. Walton (1992, p 122) observed that, “the logic of the case study is to demonstrate a causal argument about how general social forces shape and produce results in particular settings”.

The case based approach in managerial and accounting literature has been used to achieve disparate goals. Ryan et al (1992) classify five different types of case studies used in accounting research: (i) Descriptive – where the researcher investigates and describes current accounting systems, technologies and practitioners to render visible certain aspects of the organisation; (ii) Illustrative – where researchers engage with companies to illustrate how new accounting technologies amplify or hinder organisational goals; (iii) Experimental – a form of cost-benefit analysis where companies will engage a researcher to evaluate new technologies; (iv) Exploratory – where the researcher explores the use of and reasons behind specific accounting technologies; and (v) Explanatory – where researchers examine the provenance and motivations behind certain accounting technologies. In respect of this classification, phase one of the present study can be labelled as ‘exploratory’ and phase two can be labelled as ‘explanatory’.

Case studies can also be characterised in terms of their intent. The present study can be labelled a ‘single instrumental case study’ (Stake 1995). In this type of study the researcher investigates an issue or a set of issues within one bounded case. This allows the researcher to engage in a deep and narrow description of events, issues, procedures or otherwise within an organisation. Geertz (1973 in Creswell 2007) described the discursive aspect of this approach as ‘thick description’. Thick description provides a measure of validity in a case study since it permits repeatability across organisations and cases (Creswell 2007; Erlandson et al 1993). Scapens (1990) supports this view indicating that the basis of a good case study lies in replicability, not generalizability. Even so, Yin (2009) points out that case studies allow for theoretical generalisations as opposed to statistical generalisations. Moreover, generalizability was not a major consideration since qualitative researchers are not typically noted for their concern in this area (Glesne and Peshkin 1992).

After establishing the function and form of the case study, the time and space boundaries of the study had to be considered. My fieldwork commenced in May 2012 and concluded in September 2013. The basis of this time period was not purposive. That is, data gathered in the field was random and based on the requirements of the thesis. State and federal elections held in March 2011 and September 2013 respectively had no bearing on the time boundaries despite considerable changes to funding arrangements for public schools after the federal election. The quantum of funding was not considered to be an influential factor since the researcher was more interested in the policies which appeared to have bi-partisan support (NSW 2011b). The collection of archival and historical data extended back to the initiation of LMBR by the previous Labor government. The year of the commencement of LMBR was 2007 and this year represents the temporal boundary of the case study. At the time, the state government department overseeing operations was known as the Department of Education and Training. Whilst the name changed to the 'DEC' following the election of the liberal government, it was established in Chapter Two that the policies, goals, standards and values of the old department remained entrenched. The DEC is currently in the process of updating their website to reflect any changes.

The spatial boundaries constrain the study to the operation of accounting practices in one public school. After initial interviews were conducted with the principal it was found that there were a number of different cost centres within the school. The heads of each division within the school vied for funding in a transparent manner at open board meetings but ultimately it was discovered that accounting operations and decision making was retained by the financial unit and principal. Results of this initial interview demonstrated the managerial emphasis within NSW public schools. Principals who were previously attuned to educational goals and the needs of students were increasingly engaged with managerial duties where accounting plays a significant role. Accordingly, I chose to engage the SAM and principal as

the primary participants in the interview process. Archival data retrieved from official government publications was mainly directed at the financial units of NSW schools which also supported this constrained perspective. Further discussion of the interview process is contained in section 5.6.1.

The task for the researcher once the above assumptions and strategy were internalised was to develop a suitable method for gathering empirical data relevant to the research questions and phases.

### 5.5.2 Phase One

Phase one of this research contains both descriptive and interpretive aspects. As the researcher is detached from the organisational context of the researched, an initial attempt was made at understanding and describing the contextual factors which impacted on reforms to accounting practices in NSW public schools. This was achieved by providing a background to the study (Chapter Two), examining recent government and school reforms (Chapter Three) and situating these reforms within the broad approach to public sector management known as NPM (Chapter Four). Phase one is conducted in Chapter Six where the first task will be to identify and describe reforms to accounting practices and understand the complexities of financial management within NSW public schools. This will provide answers to the first and second research questions.

The original method adopted for providing answers to the first and second research questions was to enter the field and conduct semi-structured interviews with principals and SAMs. As a method of qualitative inquiry, field research remained consistent with the philosophical underpinnings of this research and helped to answer the question of 'how do people do 'X' in the social world' (Neuman 2011). This was consistent with Ferreira and Merchant's (1992) suggestion that the most apt method for conducting field studies was through interviews with those directly related to the context and research questions.

However, upon reflecting on the results of semi-structured interviews, the researcher became aware of discrepancies between the language set utilised by interview participants and the accounting technologies to which they were referring. At a meta level, this was inherently counterproductive because there was a risk of rendering accounting ‘technologies’, as described in accounting manuals and academia, otiose. This in no way discredits the efforts of those involved in the financial management of NSW public schools. Accounting technologies are demonstrably esoteric in nature and have a vested interest in remaining so (Parker 1994), yet it is exactly these reformed technologies that (potentially inexperienced) public servants, and the researcher, are expected to engage with. Hence despite the contention that qualitative research is intended to seek meaning from the perspective of the individual (Alvesson and Kärreman 2000), more concrete answers to the first and second research questions was sought.

The researcher acknowledged that the research ‘process’ had to evolve to meet this demand since certain factual details needed to be established before moving onto phase two. Fortunately the ‘inner worlds of the participants’ (Alvesson and Kärreman 2000) and the accounting technologies with which they engaged were accessible not only through interviews but also via government archives and academic literature. Patton (2002) indicates that this approach is viable since it provides corroborative data. He (2002) also mentions that isolated data sources may be untrustworthy in providing a holistic account of the phenomenon in question. Thus whilst interviews were the primary means of collecting data, observation and archival data were accumulated to provide intellectual rigour (Patton 2002; Marshall and Rossman 2006). The description of accounting practices and financial management was then taken back to the interview participants in a process known as ‘member checking’ (Lincoln and Guba 1985; Creswell 2007) to validate the findings.

Field research in the form of semi-structured interviews was employed as a method in examining the third and fourth research questions. Walsham (1995) suggests that interviews are an apt way of entering into the life world of the researched thereby allowing the researcher to gain understanding of the interpretations of participants. Field research is therefore well suited to qualitative inquiry and the interpretivist research paradigm (Burrell and Morgan 1979; Creswell 2007; Walsham 1995). The first objective was to engage the participants in a discourse related to what they believed were the consequences, upshots or effects of current accounting practices at their school. Neuman (2011) describes this approach as an outline of a 'first-order interpretation' where the researcher attempts to understand a phenomenon from the perspective of the research participant. The second objective was to cultivate an interpretation from the viewpoint of the researcher. Neuman (2011) describes this approach as a 'second-order interpretation' where "we elicit an underlying coherence or sense of meaning in the data" (p177). The texts constructed from interviews thus had to be interpreted in order to provide a retrospective account of the accounting technologies being examined (Czarniawska 1997). This interpretation is explicated in Chapter Six of this study.

### 5.5.3 Phase Two

Phase two of the research project involved a movement away from the specific towards a broader theoretical and sociological interpretation. This approach remains consistent with what was previously established in regards to qualitative studies. That is, qualitative studies allow for limited theoretical generalizability (Yin 2009) and follow the logic of induction where observations take primacy and the researcher moves from the specific to the general. Weber (1991), in one of his major sociological works, indicated that the search for generalisation and causal relationships was the graduation point of interpretive research;

however due to the nature of the present research design (case study) the author acknowledges there are intrinsic limits to the study<sup>29</sup>.

Adherence to stricter forms of interpretive sociology stops short of this theoretical ascription. An understanding of the significance of action in a social context may suffice in an interpretive study (Neuman 2011). Nonetheless, most qualitative researchers seek to go one step further and provide a ‘third-order interpretation’ where the researcher “assigns a general theoretical significance to the data” (Neuman 2011, p 178). In depth semi-structured interviews were conducted as a method to elicit data relevant to the theoretical perspective used in this research. Before executing the method, the researcher had to consider the environment and circumstances of the participating schools as well as philosophical and academically accepted practices in order to both enrich and justify the research process. These are considered in the following section.

## **5.6 Methodical Notes**

The philosophical underpinnings of any research endeavour inform the research process and it has been argued that an alteration of the traditional positivist assumptions may be required to reflect or ‘mirror’ alternate realities so that deeper insight may be gained into how accounting functions in organisations and societies (Dillard 1991). As noted above, the assumptions brought to this research by the author indicate that field research secures these philosophical premises. This method of research has increasingly gained credence since academics like Tomkins and Groves (1983), Scapens (1990), Covaleski and Dirsmith (1990) and Lodh and Gaffikin (1995) provided advocacy. Tomkins and Groves (1983) highlighted the inadequacy of quantitative methods and mentioned that qualitative approaches were the only legitimate means of conducting research under the constructivist ontological paradigm.

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<sup>29</sup> Limitations to the study are discussed further in Chapter 7.

The following notes supplement the research design and method adopted in this study. These factors were deemed important for conducting an informed investigation grounded in a qualitative case based strategy, an interpretive paradigmatic approach to research and a field based method of inquiry.

#### **5.6.1 Interviews and Data Collection**

Field research in this study consisted primarily of interview data. Yin (2009) considers interview data as an essential component of a case study. The use of interviews in field research is ubiquitous since there may be no other feasible way of obtaining relevant data and it provides a more holistic account than other forms of inquiry in field research (Yin 2009; Mason 2002; Gillham 2005).

After establishing certain factual details with regard to accounting practices, the purpose of the interviews in this thesis was to gather rich information on the effects of new accounting technologies and managerial practices on the functions and structures, especially those related to administrative roles, accountability and visibility issues, within one NSW public school. Although discussion topics were selected prior to the interview sessions, the interview questions remained fairly benign and open ended. Participants were encouraged to describe their own experiences of the issues raised. Participants were also encouraged to deviate from the questions and inform the researcher of any other issues which they saw as relevant. This interview technique is described as 'semi structured interviewing'. It allows the participant to engage the topic of discussion in a way that they deem most suitable. Thus their interpretations of the relevant phenomenon are expected to surface during the interview process (Layder 1995). The job for the researcher during the interviews was therefore not merely to ask questions but to guide the interviewees towards contextually relevant discussion and bring participants back to the topic in case of significant digression.

Participants for this research were selected on the basis of their knowledge and closeness to the relevant accounting and managerial practices at the public school selected as the case study. Initial interviews were conducted with the principal to familiarise the researcher with the organisation. On the basis of these initial interviews it was decided that the original decision to interview lower level employees and teachers was not productive enough to warrant considerable consumption of these employees' time. Moreover, the initial interviews indicated that, whilst some gains in knowledge regarding student outcomes could be gained from interviewing other employees and teachers, the operational ramifications of accounting and managerial reforms in NSW public schools would be shouldered primarily by the principal and the SAM. Hence these two employees were selected as viable participants in the research process. A third participant from within the organisation was also approached to contribute to the richness of the study. Although this participant was somewhat detached from the financial management team, the participant's role during the budgeting process and insight as a Head Teacher were valuable and several quotes are included in Chapter Six. A fourth participant from within the organisation was also included towards the end of the study. This participant took over from the old SAM who moved into the LMBR program. This participant's contribution was limited to providing insights into the use of accrual accounting and several quotes are included in Chapter Seven. Interviews conducted with other individuals such as an independent public sector accounting expert and a higher level manager at the DEC were conducted to provide further insight into the applicability of private sector accounting processes in public schools and as part of the validation strategy respectively. All interviews were conducted face-to-face with participants with the exception of the new SAM and higher level manager at the DEC who was interviewed over the phone. The participants' roles and contributions are outlined in Table 5.1. An example transcription is provided in Appendix 5B.

**Table 5.1: Participants in the Field**

<b>Participant's Designation</b>	<b>Participant's Role</b>	<b>Interview Number and Method</b>
A:	School principal, head teacher, financial manager, member of budget committee	#1, 2, 3 Face-to-face
B:	School Administrative Manager (SAM), member of budget committee	#2, 3 Face-to-face
C:	Head Teacher, member of budget committee	#4 Face-to-face
D:	Public sector analyst, Board member at Public Interest Oversight Board	#5 Face-to-face
E:	SAM taking over from participant B, member of budget committee	#6 Phone interview
F:	Head of Student Administration and Learning Management Workstream (LMBR)	#7 Phone interview
M:	Myself, the researcher	Present during all interviews

### **5.6.2 Ethics and Reflexivity**

Ethical considerations form an imperative part of any qualitative (or quantitative) investigation. The present research agenda focuses on two dimensions of ethics – procedural ethics and “ethics in practice” (Guillemin and Gillam 2004).

Procedural ethics is the initial step towards conducting research in the field. In Australia it involves approval from an accredited Human Research Ethics Committee (HREC), the purpose of which is to protect the welfare and rights of the participants (<http://www.uow.edu.au/research/ethics/human/index.html>). The University of Wollongong acknowledges the review capabilities of the Humanities, Social Science and Behavioral HREC in the Illawarra.

Procedural ethics is also taken seriously by the DEC because people involved conducted in research at schools are likely to come into contact with school children. Thus a second

equally important ethics approval process was conducted by the researcher. This process, known as the State Education Research Approval Process (SERAP), involved extensive description of the purpose, design, participants, student contact, usage of employee time, potential impact on participants, etc. Based on this information the DEC then makes an assessment to approve or reject the application based on “its benefit to public education and its potential to contribute to theory, knowledge and practice in education” (NSW 2006, p 28). To complete the SERAP application process, information and consent forms had to be detailed and submitted for approval. These included a Participant Information Sheet, a Consent Form and a Principal Permission Letter. Following the approval process, these consent forms were distributed to interview participants in a timely manner. Copies of the blank forms can be seen in Appendix 5A.

The second dimension to be addressed is ‘ethics in practice’ which considers dilemmas often overlooked by procedural ethics and consists of circumstances where the Committee cannot provide assistance (Guillemin and Gillam 2004). Often the researcher will encounter dilemmas in the field arising from access to sensitive information and this involves significant issues of confidentiality. In this research the interpretations of participants precipitated no inherent dangers however, as noted in the SERAP application, the anonymity of the participants was nonetheless maintained to the highest degree possible to avoid ethical conflict.

The researcher may also unwittingly incorporate personal or theoretical bias, which constitutes a practical, ethical and methodological concern (Guillemin and Gillam 2004). Reflexivity is therefore a core consideration, especially given the deep qualitative, ideographic and contextual methodology (Dillard 1991) that is pursued in this research.

Bordieu (cited in Jenkins 1992) presents a succinct way of thinking about reflexivity. He suggested that the researcher must take two steps back from the research. The first step back is intended to ascertain an objective observation of the research subject, thus allowing the researcher to pose the question ‘what do I know?’ The second step is intended to critique the observations made in the research. This reflects the question ‘how do I know?’ These questions are purposefully imputed into the research process to address the axiological assumption made in this thesis which indicates that qualitative research is value-laden. The epistemological presuppositions made in this research align with this approach and indicate that if meaningful knowledge is to be acquired then researcher’s values must be bracketed out before and during the analytical stages of the research.

Noted phenomenologist Edmund Husserl indicated that *epoche* (or bracketing) was most important in the research process and that the prior experiences of the investigator must be set aside to enter the field with a fresh perspective. Moustakas (1994) supported this perspective and described the approach as ‘transcendental’ where “everything is perceived freshly, as if for the first time” (p 34). *Epoche* therefore allows the researcher to understand the experiences of individuals involved in the study. Continuing with Dillard’s (1991) metaphor, the intent is to filter the accounting technologies in question through the interpretive lens without creating prior distortions.

Whilst every attempt is made to conduct the research in a reflexive manner and refrain from personal bias by addressing these questions, the researcher acknowledges that bias necessarily enters the research process. Husserl himself acknowledged that it would be impossible to ‘bracket out’ all research bias, particularly in a setting where the researcher is embedded in a professional ideology which defines and steers the profession. Gilling (in Burchell et al 1985, p 69) mentioned that professional ideology,

“...defines the activities of the profession, its problems and appropriate ways of approaching these problems. The behavior of the profession towards its environment is a matter of perception of that environment. Once an image of that environment has been established, then behavior will be determined by that image and the frame of reference that it creates”.

The author's entrenched ideological biases, which derive from his engagement with contemporary society and accounting, therefore play some role because his 'frame of reference' is limited. The contention that we must step outside the system so that we can evaluate it (Argyris and Schon 1978) might therefore be considered an unattainable goal. Indeed, it would be anathema to expect that the researcher can attain an unbiased perspective considering the social constructivist ontological assumption made in this research. Furthermore, as McKinnon (1988) notes, the consequences of engaging interactively in the field mean that “the factual data and the researcher's interpretation of that data may become intermingled leading to the former being contaminated by the latter and highlighting the potential for observer bias” (p 46). This does not imply that an etic perspective is unachievable. Creswell (2007) indicate that awareness of these biases suffices the research process and this is why, as previously established, qualitative research represents a description of the author as much as the topic of study to the extent that the researcher must necessarily interpret and report findings. Reflexive monitoring is therefore a constant endeavor in qualitative research and has been defined as an “active, ongoing process that saturates every stage of the research” (Guillemin and Gillam, 2004, p274).

## **5.7 Conclusion**

This chapter discussed the research design, philosophical/theoretical underpinnings and strategy of inquiry used in this study. Firstly, it was asserted that the methodology used in this study eschews the 'mainstream' approach used in accounting research. Secondly, an outline of the researched organisation was presented. Following this an overview of the research

design and research questions was presented. The chapter then discussed sociological research paradigms (Burrell and Morgan 1979) and the 'alternate' research paradigm (Broadbent and Guthrie 1992) used in accounting research. A discussion of the philosophical underpinnings used in this research confirmed the assertion that this study is situated firmly within the alternate approach.

An examination of ontology, epistemology and methodology illustrated the logical flow from philosophical underpinnings to method of inquiry. Hence, field research was identified as the method of inquiry and a 'single instrumental case study' (Stake 1995) was identified as a strategy to conduct research in both phases of the study. Some of the strengths and weaknesses of field research and case studies were outlined. It was established that field research would be used in both phases of the study but would be directed at two distinct lines of questioning. The first phase contains both descriptive and sociological aspects whereas the second utilises a theoretical framework to ascribe general significance to the data. The theoretical framework in this study is discussed further in Chapter Seven. Lastly, methodical notes on interviewing, ethics and reflexivity were presented and lent support to the philosophical underpinnings of this study.

## Chapter 6

### Accounting Technologies and NPM in NSW Public Schools

#### 6.1 Introduction

Government schools participating in the federal (ELSNP) and state (LSLD) reform schedules have been granted significant autonomy over the management of their finances. As was established in previous chapters, this devolutionary policy has created a culture of performance accountability where schools are scrutinised on the basis of outcomes, particularly those related to student achievement. Changes in managerial and accounting practices have ensued in response to the changing nature of accountability, deteriorating economic conditions and the desire to achieve more with less. Thus, in the NSW public sector generally and in public schools specifically, there has been mounting pressure to adhere to the tenets of 'new managerialism' (Zifcak 1994) or New Public Management (Hood 1991; Dunleavy and Hood 1994). Literature dealing with these principled approaches to public management has been growing in recent decades. Yet despite the claim that accounting technologies play a significant role in NPM reforms (Hood 1991, 1995; Guthrie et al 1999; Lapsley 1999), there is little field based, contextual research which focuses on this issue.

Research situated in the NSW government context is an attractive prospect, particularly because this government has been a pioneering force both in its democratic initiatives (Simms 2006) and its uptake of financial reforms since the election of the Greiner government in 1988 (Halligan and Power 1992). At the same time, NSW public services have lent at least rhetorical support to ethical and stewardship tenets as evidenced by an examination of the DEC's core values in Table 2.1. A review of academic literature and government reforms conducted in previous chapters exposed an incongruity between these overarching sets of values. Whilst debate continues over which set of values should maintain

prominence, it is apparent from an examination of government reforms such as LMBR that the government would prefer to see public sector organisations run more like those in the private sector. Under a NPM rationale there are few concession when it comes to satisficing business imperatives (Waterhouse et al 2008; Bradley and Parker 2006). Set in this context there have been key changes to accounting practices at NSW public schools including those related to budgeting, accrual accounting and a transition from OASIS accounting software to SAP.

The intent in this chapter is to identify, describe and examine reforms to accounting and managerial technologies at NSW public schools, situate these reforms against a backdrop of NPM and discern what impact these reforms have had on financial management practices, accountability relationships and student outcomes. An interpretive approach is applied to the data set used in this study. As mentioned in the previous chapter, the data consists of archival documents, both internal and external, as well as data gathered through interviews and observations conducted in the field.

The remainder of this chapter proceeds as follows. Section 6.2 investigates budgeting practices at NSW public schools, investigates recent devolutionary policy and explicates some of the new visibilities that have arisen since this facet of NPM gained prominence. Section 6.3 investigates the use of the private sector accounting system, SAP, within the researched organisation and provides a comparison between this accounting system and the previous system, OASIS. Section 6.4 concludes the chapter and indicates that the accountability regime has drifted from traditional stewardship to accountability for performance.

## **6.2 Budgeting Practices at NSW Public Schools**

Budgeting is an indispensable and highly effective management tool. It refers to the process of allocating scarce resources to the demands of various units and sub-units throughout an

organisation. The outcome of a budgeting process is the budget, which is a dollars and cents expression of an operative plan for a designated period of time. The implementation of a budget therefore indicates that an organisation has made decisions with regard to a pre-determined plan about how that organisation intends to achieve its goals.

Traditional approaches to public sector budgeting, which emphasised cash as the basis of allocation, identify the budget as a tool for itemising and apportioning income and expenditure to the various units throughout the organisation on a line by line basis (Nicholls 1991). Organisations are guided by a predetermined plan pertaining to desirable outcomes, such as the School Plan, and the budget is considered a quantification of that plan. This approach has been described as mechanistic, containing no real analytical value, and so long as the organisation did not over or undershoot their budgets then they could be considered successful. Thus under the traditional system, control of cash through extensive documentation is paramount and the organisation assiduously tends to the stewardship of this resource. Guthrie (1993) notes that primary goal of cash based approaches to budgeting is compliance.

An investigation of budgeting practices at one NSW public school will illustrate that this organisation has applied the traditional approach. However, this approach conflicts with that endorsed by the Australian National Audit Office (ANAO). The ANAO indicates that all public service organisations should develop budgets on an accrual-based outcomes and outputs framework (Australia 2008). Budgeting under this framework is intended to show “an organisation’s expected financial performance, financial position and cash flows disaggregated by area of responsibility” and involves “making decisions on the allocation, use and administration of resources to achieve the organisation’s objectives” (Australia 2008, p 3). This definition may be further extrapolated to illustrate the purpose of an internal budget. Thus the ANAO indicates that public sector organisations use internal budgets to,

“establish and communicate funding priorities, support decision making, set financial controls, and monitor and report financial performance” (Australia 2008, p i). Adherence to this budgetary framework stresses performance as a core function of the accountability process – a function that marries up to previously established tenets of NPM. This approach has been referred to as ‘accrual output budgeting’ (AOB)(Robinson 2002; Carlin 2003; Carlin and Guthrie 2003; Kelly and Wanna 2004; Australia 2008). Robinson (2000, p 1) mentioned that AOB is “concerned not merely with the resources which departments use, but with the results which they produce with those resources.” The traditional approach employed at the researched organisation thus has the potential to negate AOB practices. However, in the context of a reforming education sector, there are several key changes which have added to the complexity of the management of school finances.

This section discusses budgeting practices at NSW public schools and investigates the implications of these practices using a case based approach. Firstly, a discussion of current budgeting practices based on departmental guidelines and archival data is presented. Secondly, the budgeting processes are examined as practices which augment the planning, control and stewardship of the organisation. Thirdly, the state government’s policy of devolved budgetary responsibility is examined in the context of the researched organisation. The fourth section outlines what new visibilities and accountabilities have resulted from recent changes to budgeting procedures and whether these changes have contributed to the achievement of the short and long term goals of the researched school.

### **6.2.1 Budgetary Processes**

Within NSW public schools, the budgetary process is educationally driven by the School Plan which outlines strategies for improving student outcomes. Budgeting consists of three primary processes at public schools: (i) preparation of budgets which directs future financial activity towards the achievement of organisational goals; (ii) continual monitoring of actual

versus budgeted activities to ensure that the school is able to meet its goals; and (iii) updating and amending the financial plan in response to new accounting information or unexpected events that may impact positively or negatively on the existing plan (NSW 2012). These three phases of the budgeting process at public schools reflect the three crucial functions of budgetary approaches to financial management – planning, control and evaluation (Emmanuel et al 1990; Koteen 1997). At NSW public schools, much of the information required for overall planning, control and evaluation is garnered by the principal and SAM directly from the accounting system as there is no designated accountant that supplies and interprets this information. Hence the accounting system must be built around the presumption that these individuals are not experts but at the same time must deliver accurate, reliable and useful information to service these ends (discussed further in section 6.4).

The above three functions are imperative for businesses but they are also *laws* in government units and may arguably play a greater role in public sector organisations (Freeman et al 2006). The rules governing the retention of budget documents are legislated by the State Records Act (1998 amended) and are outlined in the NSW Government Record Keeping Manual (7.0.0 Financial Management, GA28). Table 6.1 outlines the records that must be retained by public sector organisations under law and provides a time period for retention.

The collective use of these internally and externally generated documents is the means by which schools prioritise and monitor their performance towards the achievement of the School Plan. The School Manual on Financial Management (NSW 2012, updated) indicates that all items of projected income and expenditure must be included as well as the preparation of the school budget on a cash flow basis – cash flow budgeting defined as: “... the process of defining when funds are expected to be received and when payments are expected to be made, and determining the cash position of the school throughout the school financial year” (NSW 2012, updated, 3.3.33).

**Table 6.1: Budgetary Records Maintained at NSW Public Schools**

#	Description of record	Disposal Action
7.8.1	Budget estimates, including estimates for expenditure on new policy proposals or programs, and supporting documents prepared for external approval, e.g. by the organisation's parent department or Minister. Includes variations on estimates.	Required as State archives.
7.8.2	Records relating to the development and review of budget estimates. Records include: <ul style="list-style-type: none"><li>• budget estimates and supporting documents prepared for internal use;</li><li>• calculations and costings for annual, forward, draft, revised and additional estimates; and</li><li>• submissions from business units or offices within the organisation.</li></ul>	Retain minimum of 6 years after preparation, then destroy.
7.8.3	Records relating to the organisation's spending progress or revenue collection against allocations within the budget estimates.	Retain minimum of 2 years after end of financial year in which record was created, then destroy.

(Source: NSW 2007, revised)

The responsibility for the budgetary process rests ultimately with the school principal (NSW 2012, updated, s. 3.1.9) although there exists an option for corroborative work in regards to preparation of the school budget (NSW 2012, updated, s. 3.1.10). Thus at many NSW public schools the principal works closely with the SAM and a committee which is comprised of a cross section of the school's employees and local community. As noted above, and unless the committee consists of a member of the community who is well versed in the language of accounting, there are no accountants that sit in the committee. Nonetheless, the School Manual on Financial Management (NSW 2012, updated, s. 3.1.12) indicates that:

“Participation of members can be expected to result in an increased knowledge of and commitment to the financial planning process and the need to achieve financial goals”

At the researched organisation, it was observed that this corroborative effort was necessary since the size and complexity of the school's financial activities were expanding. Participant A indicated that the SAM was vital to the budgetary process. In so doing, he also provided some insight into what he believed was his role at the organisation:

“We work really well together. The principal and the SAM have to work well together because, while the principal makes strategic decisions, the Sam has to execute them... has to be the executive officer.”

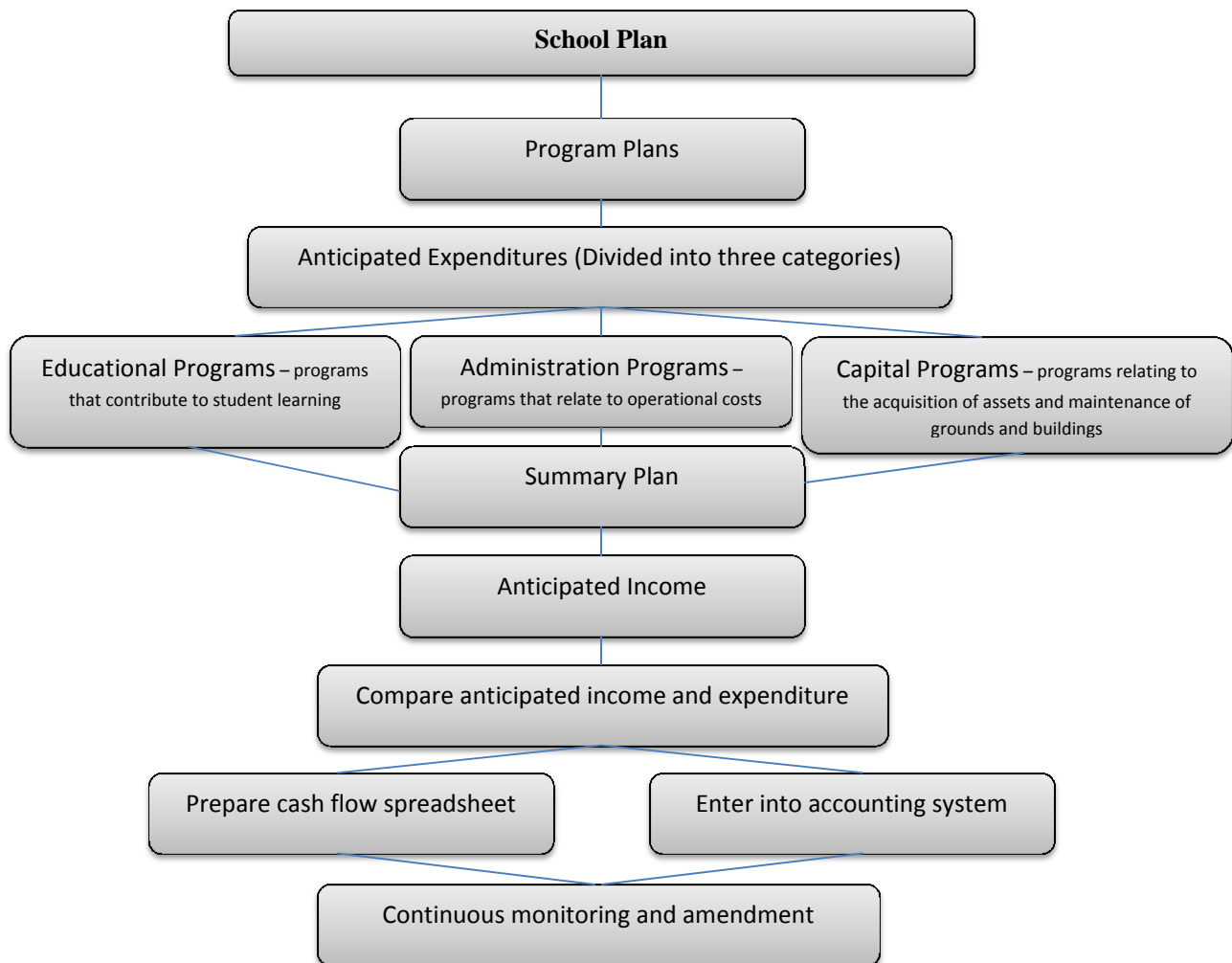
As noted in the School Manual on Financial Management (NSW 2012, updated, s. 3.3.1), the preparation of budgets at NSW public schools consists of several independent and identifiable steps. These steps are intended to align with the achievement of the School Plan thus any departure from achievement of the goals set out by the School Plan must be justifiable as an ethical, business or stewardship imperative. The steps are depicted graphically in Figure 6.1 and consist of the following:

- (i) Preparation of plans on a program basis;
- (ii) Determination of future expenditures on a program basis (three categories);
- (iii) Summarisation of anticipated expenditures and allocation based on priority;
- (iv) Determination of anticipated income;
- (v) Comparison of anticipated income to expenditure – decision approval;
- (vi) Preparation of a cash flow budget spreadsheet;
- (vii) Entering budget details into the accounting system; and
- (viii) Continual monitoring and amending to the budget as required (NSW 2012, updated, s. 3.3.1)

As can be seen in figure 6.1, the School Plan is the starting point for a principal in the budgeting process. Its development consists of gauging the medium to long term objectives of the organisation and thinking about the means by which these can be achieved. At NSW public schools the objectives are deciphered in conjunction with the wider community. This contrasts with the private sector where budgetary practices are typically opaque. The School

Plan outlines strategies for improving student outcomes, identifies priority areas and sets targets that are consistent with NSW State Plan. At the researched school, two priorities and strategies for achieving them are identified in the 2012 – 2014 School Plan (XXX 2012 ). The two priorities are intended primarily to contribute to student outcomes, i.e. to increase students' educational achievement measured on the basis of national testing criteria. When discussing the 'impact' of accounting reforms at the researched school it will be important to refer back to these priorities to assess the extent to which reforms have contributed.

**Figure 6.1: Budgeting Process at NSW Public Schools**



(Source: NSW 2012, updated, s. 3.3.1)

The first priority of the researched school relates directly to student outcomes. The school has set a target of a 5% increase in the number of students evaluated in the top bands of literacy and numeracy in year 9 NAPLAN. The second priority relates to student attendance. The school has set a target of 0.5% increase in overall attendance for the 2013 year.

Once the School Plan has been established, the principal begins to prepare the expenditure budget by accumulating forecast expenditures in three smaller budgets relating to educational, administrative and capital activities. This involves participation from other school staff who list expenditure targets that are realistic (based on previous income history) and that are essential to the achievement of a program's objectives. Items are listed in terms of priority, thus any necessary cuts are made to those items which least affect the attainment of program objectives. The completed budgets must also include dates when funds are expected to be required (NSW 2012, updated, s. 3.3.6). This allows preparation of the budget on a cash flow basis. Following this, a review is conducted to ensure that listed expenditures are justifiable. These expenditures are then summarised in term and month format.

After tabulating all expenditures, anticipated income for the year is estimated. Income at NSW public schools consists primarily of recurrent incomes, known as Global Grants (GG), targeted income, which links to specific activities at schools, and other sources such as voluntary contributions from parents (elective fees), fundraisers, excursion fees and trust activities.

Once accumulated, income and available retained earnings are compared with expenditures to ensure that the school will have sufficient funds available to meet proposed expenditures as they become due on a cash flow basis. Budgeting practices are flexible at NSW public schools to reflect the needs of the school, hence priorities may be deferred at this stage and amendments may be made to the budget. All figures are then entered into the OASIS finance

system. This system allows the user to continually monitor and report variances. In the case of significant variances explanations are sought from the staff member overseeing the respective program.

Under the program based, cash flow budgeting system, there are checks and balances which deter participants from providing estimates of expenditure that exceed their anticipated levels of income. Stress is placed on economy and precision of resource use not because there is a perceived lack of funds or because the school wishes to redirect resources, but rather to ensure that school staff members are able to meet realistic targets without exceeding their bounds. This supports the view that compliance is the main objective of traditional budgeting practices (Guthrie 1993) such as those used at NSW public schools.

It can be seen that the budgetary processes outlined above serve two ends. *Firstly*, the budget assists in the management of the school's finances through planning, control and evaluation – the three core functions of the budgetary process. *Secondly*, the budget is used as a means of achieving accountability for the judicious use of its primary resource – cash. Thus, the second end is linked closely to management control. These ends are examined more closely in the following sub section.

### ***6.2.2 Budgeting for Planning and Stewardship***

One of the main purposes of budgeting at the researched school is planning. Planning means decision making in advance for relevant organisational employees who participate in the budgeting process. NSW public schools adopt a bottom-up approach to planning not dissimilar to that used in business (Merchant and Van der Stede 2007; Umapathy 1987). The bottom-up approach begins with identifying the relevant tasks involved in implementing a program and then budgeting for the estimated resources required to achieve those tasks. Lower level staff members therefore have significant input in setting their own financial

targets and are not constrained by performance benchmarks. This is desirable since government schools in NSW operate in disparate environments<sup>30</sup> and the application of stringent benchmarks of performance may be motivationally stifling (Emmanuel et al 1990 1990).

The involvement of lower level staff allows them to exert some influence over the budget of the individual responsibility centres and it is evident that this initial phase of the budgeting process is the result of a bargaining process similar to that in the private sector (Merchant and Van der Stede 2007). However, the extent to which heads of each responsibility centre at the researched organisation can influence the budget is mitigated by the existence of an experienced principal and the entrenched policy of review in step (v) above. Moreover, the principal is the only staff member delegated to spend money, so while the heads of staff may seek more funding in a bargaining process such as that mentioned above, the principal, working in conjunction with the SAM, will negate the possibility of overspending. Nonetheless, Participant A noted that spending units occasionally attempt to circumvent the bargaining process. However, a brief exchange between the interviewer, Participant A and Participant B illustrated the dogged nature of those in charge of the budgeting cycle:

A: "... then it's over to the SAM to ensure that that's all they spend. If they go to spend 9000 and the SAMs aren't keeping up with it, you find that Math had a 7000 budget but they ordered 9000 of stuff... then that 2000 has to come from somewhere."

M: "Is that common?"

A: "Not for us! (laughter). But people try it."

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<sup>30</sup> As an example of the incongruous context within which schools operate, levels of funding are determined on the basis of socio-economic status of the locality. So, for instance, schools in low socio-economic communities receive greater funding than those in middle class suburbs such as the researched school.

B: “They’ll give it a go, but they must get past the fox-terrier! (Referring to him/herself)”

To further alleviate gamesmanship of the heads of departments, the school chooses to alternate the staff members on the budget committee. The practice of alternating members of the budgeting committee ensures that susceptibility to political whimsy is minimised. Participant A noted that the committee was historically comprised of the same members every year but:

“That’s not a transparent way of doing it because, while they (other head teachers) are well informed about how the process works, the current committee member is open to accusations of: ‘Look! The industrial arts faculty gets more funding than mine!’”

Despite the potential for department heads to overestimate their expenditures, the bottom-up approach to planning and budgeting maintains several benefits. *Firstly*, it allows the school to create a more accurate organisational level budget by aggregating individual program budgets. This approach also facilitates a holistic overview of the organisation’s activities thereby providing the financial manager, the principal, with the means to tend to the stewardship of the primary resource, cash.

*Secondly*, the aggregation of sub unit budgets allows managers to centrally review the entirety. This therefore satisfies the legal requirement outlined in step (v) of the School Manual on Financial Management above (NSW 2012, updated) and allows the school’s financial manager, the principal, to maintain his role as steward during the planning process.

*Thirdly*, program managers have the ability and independence to set their own targets. This enhanced autonomy maintains both motivational and pragmatic benefits. The motivational benefits manifest intrinsically since there are no extrinsic rewards or penalties associated with achieving budget targets. Thus, individual program managers are bolstered by learning about

financial processes at the school and more readily own, accept and ‘internalise’ the budget targets as external standards of performance (Emmanuel et al 1990). In the context of the researched school, budget targets are more aptly described as constraints instead of ‘standards of performance’. As participant C noted:

“I like sitting with the team to figure out how much cash we have to work with... (When I was younger) I didn’t care about those things but now it makes sense knowing the school’s limitations... I want what’s best for my faculty but I react accordingly.”

When queried about the bargaining process at the school, Participant C noted that it was less a bargain and more of a balancing act. This illustrates that, while there is significant disaggregation of units at the researched school, each program manager was knowledgeable of the other’s requirements and the meetings proceeded in an environment of mutual respect. The presence of an experienced and charismatic leader was also regarded as advantageous:

C: “Math and English... those are the ones that get priority usually. And, to be fair, it makes sense because we (schools) are assessed on the basis of NAPLAN results. We understand that so we make concessions. I mean, we are all trying to achieve the same thing for the kids... If we (head teachers) participate in the budget then it’s a good way to get our head out of the clouds. And (the budget) is how we agree on a course of action and, when there are disagreements, the Big Man steps in... From what I understand our school has been doing well (financially) for the last 5 years.”

It is evident that the experienced and mutually respectful team is not something that can be artificially implanted overnight although observations in the field suggest that experienced staff members contribute to a successful operation. It was noted by Participant A that the motivational and economic benefits alluded to above are not always experienced by other schools. When discussing planning and budgeting for contingencies, Participant A mentioned:

A: “And that’s how you sleep at night because you know you’re not going to go broke! (laughs)... And I have been told anecdotally that at any given time of the year there are half a dozen principals that are in serious financial difficulty. That info is 10 years old but I imagine it is generally the case.”

The motivational benefit depicted in the quotes above is ostensibly more impactful on the activities of the organisation than the first two, particularly because these first two benefits flow primarily to the steward of the organisation in tending to his/her role. That is, the first two benefits of the bottom-up approach to planning and budgeting contribute to the principal’s legal requirement for accountability to the DEC, citizens and community, whereas the motivational benefit flows throughout the organisation by encouraging participation and commitment to the budget and to the school’s plan. It is evident from observations made in the field that these motivational benefits are a function of a respectful and ‘charismatic’ leader. In other words, motivation to achieve budgetary targets at the researched school involves bottom-up deliberation and top-down communication. A brief exchange during the third interview between Participants A and B illustrated this:

A: “I have quite serious constraints on what I can do but my employees all know what I have to deal with. They are generally understanding... I would like to think that I play some small part in that.”

B: “He’s actually very good...”

There are inherent drawbacks involved in the bottom-up approach to planning and budgeting. At the research site, the interview participants noted two major criticisms. *Firstly*, the entire process was observed to be costly, particularly in terms of the consumption of head teachers’ time. Whilst talk of the budget cycle was congenial and focussed during the second interview, Participant A (perhaps inadvertently) stumbled upon this drawback where he mentioned:

A: “They know the drill. And the more they get involved... the more experience they have, the more speedily it gets done.”

*Secondly*, the process often relied on imperfect estimates because accounting information pertaining to income was regularly delayed until after the budget was completed. This cast the principal in a role which is probably not outlined in any government handbook or guideline: accountanteer – one who is not a professional accountant but attempts to predict accounting numbers based on historical data. An exchange between the researcher and Participant A illustrated this role in the context of two sources of income, Global Grants and elective fees:

A: "... And that (pointing to Schedule A relating to Global Grants) should come in November. Now the problem is, recently that's been coming around March or Feb."

M: "But... how do you prepare a December plan without any info about your income? That sounds like a problem."

A: "Indeed, because now you are making predictions that aren't nearly as accurate as you could make if you had an accurate amount of money that you could see sitting there. Another complication is that, after your retained earnings and your Global, the third biggest income source is fees. Traditionally, we invoice for fees around the end of the first term but parents, being human beings, don't pay their fees until the end of the year where we have days where we sign kids out and chase them for their fees. And that of course happens after Dec 1. So your fees for 2012 are actually being paid after 2012 has come and gone. So you then have to look back and say, well historically speaking what did we get, what proportion have actually got in the bank, because some parents do pay their fees, and historically speaking, how much can we expect to get in Dec... and you add those up and that then becomes your predicted..."

This drawback is further exacerbated by the fact that budgeted expenditure targets, which already rely on imperfect estimates of income, have the potential to become obsolete in rapidly changing environments such as that at the researched organisation. This is particularly so in NSW public schools where many education reforms, outlined in previous chapters, are

taking place and altering levels of funding, accounting practices and accountability relationships. Speaking on two of these reforms, Participant A noted that:

A: “LMBR is changing the landscape we discussed the firsttime, it’s changing the landscape of how schools will function...Gonski may not affect us too much since we are in a middle class suburb and it focuses more on lower socio-economic schools. It is likely that we will receive a little more funding though.”

Despite these drawbacks, the planning and budgeting processes at the researched school are arguably the greatest methods for achieving the school’s financial goals. It is evident that the goals in the planning process, which appear to focus on cash compliance, contrast considerably with the doctrines of NPM, which tends to focus on accountability for results. Moreover, the approach to budgeting at NSW public schools can be contrasted with other segments of the NSW public service which have adopted AOB (Robinson 2002; Carlin 2003; Kelly and Wanna 2004). Under AOB, the focus on cash-based inputs is supplanted with a system where public sector organisations become purchasers of outputs in market based transactions (Barton 2007; Carlin 2003; Carlin and Guthrie 2003). Consideration during the planning phase is given firstly to the desired level of production of outputs and attainment of outcomes before ascertaining a suitable financial estimate for inputs. Thus efficiency can be easily assessed under AOB because there is a direct link between inputs and outputs. Carlin (2003, p 42) mentions that “the budget process itself becomes a key instrument for achieving allocative efficiency, rather than simply the tool through which resource allocation decisions are transmitted and documented”.

Reflecting back on Table 4.1, it can be seen that AOB possesses several identifiable features of NPM. For instance, in the ‘down group’ segment of the NPM doctrines which emphasises a reduction in the difference between public and private sectors, AOB stresses contract based competition and parsimony of resource use. In the ‘down grid’ segment of NPM doctrines

which emphasises accountability for results, AOB stresses output controls and performance measurement. The emphasis on performance measurement is the cornerstone of AOB since it facilitates the measurement of efficiency. Planners in AOB organisations must therefore consider allocative efficiency to be a primary objective. It is an objective that is indubitably flavoursome of the tenets that are associated with NPM and NPFM (Robinson 2002).

In contrast, traditional input based budgeting systems, such as that used at the researched school, place greater emphasis on controlling the resources that are entrusted to the entity. Carlin (2003, p 42) notes that in input based budgeting, “outputs and outcomes, if considered at all, were the final, not the foremost objectives”. It was evident that the principal at the researched school expended significant effort in tending to this responsibility and it was incumbent upon him to administer this practice when he first arrived at the school. Participant A mentioned:

A: “In less regulated school cultures there are those mini fiefdoms that run their own budgets that sit outside of good auditorial practice. So when I came here... I had to ‘reculturate’ the place and say, ‘every dollar that comes into our school goes into our income... you might be the drama faculty but in reality you are XXX High School... and the auditors insist that you must have a database that keeps track of your cash flow.”

Despite this diligent outlook, Participant A noted that it was seldom possible to maintain complete control over his quarry of cash. Moreover, Participant A mentioned that, whilst his role as steward married up conveniently with his outlook as principal, the role negated the possibility of pursuing business endeavours which might have benefitted the school. It was noted that time constraints limited this possibility and procedural mandates narrowed the public servant’s gaze.

It is apparent that the approach to budgeting at the researched school does not match up to NPM practices. Of the seven outlined in Table 4.1, the budgeting cycle can be said to fulfil only one of these doctrines – parsimony of resource use. Even so, it may be argued that it was not a conscious decision on behalf of the budgeters to meet this doctrine. The parsimonious management of cash at the researched school could be seen to be a function of the environment (low funding) and as a stewardship imperative. Quotes from the interviews such as “not for us” and the self-confessed role of the SAM as a “fox terrier” imply that the existence of an experienced team compels subordinate staff to fall in line with predetermined targets set during the planning process; hence the management of cash via an experienced financial management team is integral to the preservation of the school’s strategic goals. Circumvention of the planning process is guarded by the so-called ‘fox terrier’, a concept not dissimilar to the Platonic notion of the ‘well-bred sheep dog’ that tends to its quarry with patent authority and diligence. The gap between existing budgeting practices and business style or NPM budgeting practices is, however, thinned by the implementation of budgetary devolution.

### **6.2.3 Devolution of Budgetary Responsibility**

As can be seen from the above discussion of budgeting practices, the tentacles of NPM appear not to have stretched too far into the accounting regime at the researched school. However, it is also evident that the federal and NSW state governments intend to gratify at least one NPM doctrine in particular by granting significant autonomy over the resources which are entrusted to the school. By giving control of resources back to the principals and increasing the scale of their internal budgets, the ELSNP and LSLD government reform schedules achieve the first of the doctrines outlined in Table 4.1 – disaggregation of public sector organisations.

The disaggregation of public sector units and devolution of budgetary responsibility is not a new concept. As was established in Chapter Three, the concept extends back at least to government reforms in the 1980s and 1990s as exemplified by the FMI which had intended to incentivise cost savings by giving operational managers more say in the resources they were entrusted with.

As an initial observation, participant D, who is identified as a prominent public sector analyst with a long and illustrious background in a Big 4 firm, noted that there were practical benefits associated with devolved financial responsibility. An exchange between me and the participant illustrated these benefits succinctly:

M: “So, under LSLD, schools are going to be responsible for making decisions about whether to purchase an asset, hire an employee, upgrade a sporting ground etc.... and under this new system... there will be rules that dictate how they will “account for” their actions.”

D: “That’s good! I think when it’s all gone into some central pot and accounted for in all these schools, and some bookkeeper is looking at all these spreadsheets and equipment, and they have no idea what it means and they have no understanding of the condition of the school, then it is centralised and ownership is lost.”

M: “Right, and a bureaucrat will be...”

D: “Spreadsheets the numbers... I’m sure they want to provide a good service but they just can’t do it because they don’t have the knowledge.”

M: “That seems logical.”

This brief exchange indicates that the intellectual provenance of LSLD is not misguided but certainly does compete with traditional forms of bureaucracy and stewardship such as that identified in the school’s budgeting practices. In the case of devolved authority there are implications for budgeting practices at the researched organisation. One of the most significant changes is the increase in the scale of the budget at NSW public schools. This

internal budgetary expansion compounds the responsibility attached to the principal's role. Participant A ascribed some numbers to this increased responsibility. The numbers also provide some insight into what is regarded as one of the most centrally run structures in the NSW government:

A: "... it will increase schools' budgets from around 10% of their operating costs to something like 70%. That's a sevenfold increase that has to be tackled."

Further discussion on this topic illustrated where the bulk of the increase will be directed and how it will be managed. The extract below also provides some insight into the labour intensive nature of educational services and reveals the origin of industrial action taken in July 2012. Participant A, Participant B and I deliberated as follows:

A: "What also is happening under LSLD is they're introducing the massive step of giving salary budgets back to schools. That's a very controversial issue because even though 700,000 looks like a large amount of money, it's a tiny drop in the ocean compared to..... Let's say you've got 50 people in a school. Let's say, with on costs, they're average salary is 80,000; you're up to 4,000,000. That makes our running budget of 700,000 look pretty small. The way they've managed staffing so far is by saying "you're entitled to 54.7 teachers". However 54.7 teachers can be quite a diverse group because starting salary might be 50,000, top of the range might be 80,000, principal salary may be 140,000, and so instead of saying "you're entitled to 54.7 teachers", they will say "you're entitled 4.5million dollars". So theoretically if you want, um (pauses)..."

M: "60 teachers?"

A: "60 teachers... you can have it, but you'll have to hire less experienced(people)... now what the unions are worried about is... given that permanent teachers have tenure, are you then going to be more inclined to say 'why don't I hire some temporary people instead of permanent people?'"

B: "Or not hire one person at all!"

A: “Right... We had this particular person from the uni who seemed like a pretty good prac teacher... she’s just starting out so she’s at the bottom of the scale... we could hire her and we could have more change out of our \$4.5million budget and then maybe I could create another position, another head teacher position... that’s how it will work in theory. We don’t know. There may or may not be benefits to it”

Participant A therefore indicated that the devolution of budgetary responsibility was something of an unknown. However, the principal’s suggestion of a more soft approach to reform may have illustrated the principal’s feelings on the matter and showed that there might be superior and more overt forms of political expedience to be had:

A: “There could be reforms that principals would have appreciated without going to such extreme measures. For example, the politicians like tied grants because they can get plenty of kudos... when they give us \$50,000 to fix the back oval, the politician that gave it to us wanted to come and hold the shovel to show that he was involved! And the community uses that field don’t they... I mean there’s a lot of sports groups that use that field, so it’s nice to put in the local paper.”

B: (Laughter) “Exactly! Look what I did!”

A: “But it’s a tied grant... it doesn’t help me buy maths textbooks or hire teachers. So there could be reforms like that... but LSLD is a quantum reform, this is a new paradigm.”

Thus far the discussion of budgeting practices at the researched school was fruitful yet not concrete. Many of the issues discussed were either tentative or in their fledgling or transitional stages. What did become apparent in discussing these issues was that the principal viewed himself as occupying two separate yet related positions. *Firstly*, as was discussed in section 6.2.1, his efforts during the budgeting process reflected that of a civil servant who was held accountable for the funds which were appropriated through taxation. His responsibility in this case was that of steward (Funnell et al 2012). *Secondly*, his demeanour and preoccupation with the students’ needs throughout the interviews reflected

that of a civil servant dedicated to student learning. His responsibility in this case was that of an educator. Hence, while the quantum reform is significant, a more crucial issue relating to devolved budgetary authority is the changing nature of the principal's role and subsequent changes to what he or she is held accountable for. The word 'quantum' resonates because, as will be shown, the principal's preoccupation began to turn towards accounting numbers to satisfy what was referred to earlier as 'business imperatives'.

In order to 'tackle' the sevenfold increase mentioned earlier, a considerably larger amount of the principal's and SAM's time must be spent analysing accounting numbers. Whilst technologies such as SAP are intended to facilitate this thereby lessening the overall impact of budgetary devolution, it is paramount to note the direction of change in the accountability relationship from that of steward to business manager. This would occur even in the case where no extra resources were consumed. As Olsen et al (1998) noted, budgetary delegation, a common NPFM reform (see Table 4.2), has a tendency to subsume the traditional role of the public servant by encouraging these individuals to engage with accounting numbers on a day-to-day basis. This, it has been argued, has diluted the public servant's role and led to, "a shift from discretionary responsibility in action to ones promoting formal accountability in text – with a consequent greater concern with reporting public sector performance rather than the more direct task of providing the public service themselves" (Guthrie et al 1999, p 223). As noted in Chapter Four, this is what Olsen et al (2001) describe as the 'evaluatory trap' and it is one way that accounting numbers 'decivilise' the civil servant. That is, under a system where accounting numbers are not merely confirmatory but are the primary source for concern, it may be argued that the principal's loyalty to stewardship and children's' educational needs may be diminished. Efficiency also becomes a central concern because the accounting system will be set up in such a way that it will reflect business imperatives. Recently there have been many academics who have investigated the potential for this type of

reductionist effect (cf. Tinker 1984, Funnell 1998; Funnell et al 2009; Chwastiak 1999; Berry and Oakes 2009). Speaking on the changing nature of the role, Participant D put forth an interesting model – one which not only would service the ‘evaluatory trap’ but essentially privatise the public schooling structure:

D: “So, typically under the previous model the head of the school who was generally a former teacher was called the principal... maybe under this model the head of the school becomes the business manager and then you have his deputy who might be ‘head of education’.”

M: “Hmm (laughter), so why not just hire an accountant then to sit in that top spot?”

D: “You could! That accountant would actually be the ‘CEO’ of the school.... then he/she would have a ‘head of teaching’... well what changes will this cause? It’s possible that the ‘CEO’ will introduce techniques that might expose inefficiencies and so on. These guys (the NSWTF and full-time staff) have seen the potential of these changes. That’s why they went on strike. But there could be other possible outcomes of this change.”

Such a claim is predicated on the assumption that adherence to NPM principles is desirable for organisations seeking to achieve greater efficiency and effectiveness in the provision of public education. Yet, as was shown in Chapter Two and Chapter Three, the nature of public services is sufficiently different to those in the private sector that such an approach may arguably be considered misguided or naïve. This conclusion is supported by Guthrie et al (2001) who mentioned that the provision of public services becomes secondary once rhetorically potent accounting numbers encroach upon the civil servant’s existence. Guthrie and Tooley (2007) furthered this theme indicating that a similar experience of devolved budgeting practices in New Zealand did little to augment student outcomes and that the “operational reality of the reform may have had less to do with substantive efficiency and effectiveness (as advocated by NPM), and more about rationalising modernity” (p 20). Other

academics have supported this view by indicating that devolved budgeting practices utilise accounting rhetoric as a basis of legitimisation for organisational action and/or during the bargaining process (Hopwood 1984; Covalleski and Dirsmith 1986; Ranson 1989; Edwards et al 1995; Kelly and Wanna 2004). When asked about his role and the role of accounting numbers Participant A lent credence to this perspective indicating that:

A: “My loyalty as an educator is mainly to the kids and the community. As for the facts and figures... aside from my duty to ‘provide an account of my actions’, as you say, it is hard to see where numbers factor into that.”

This perspective was revealed to Participant D who then outlined the benefits of having a system like SAP to balance the workload. Participant D thus acknowledged that budgetary devolution has the potential to deteriorate the traditional role of the public servant but, in essence, was implying that the accounting system would save considerable amounts of time thereby allowing the financial managers at public schools to salvage their role as forthright providers of public services:

“D: Well, it’s like everything in life there’s different ways of approaching. So it’s understandable to say “let’s just do it this way and just focus on education and don’t worry about everything else”. But in a world of budget pressures and different changes in technology.... if you have something like SAP, it’s very structured. So the guys will just be inputting numbers into a very standard UI which will produce the financials for them. So people on the ground will not have to be accountants. They’ll just have to sensibly put data into a UI. In older days you’d need an accountant.”

M: “Doing it manually?”

D: “Yeah... they’d have to maintain the books. It just wasn’t practical in those days without a big increase in costs for having different requirements. So now, by having this very structured system... it facilitates devolution of the accounting without changing the nature of the service provided”

Despite this logical reasoning, it will be shown in section 6.3 that the difference between the new and old accounting systems manifest primarily in the changing nature of accountability where the accounting system acts as a pivot between the public servant's role and the imperatives to which he or she must tend.

Overall, it appears that the devolution of budgetary responsibility at the researched school has been met with indignation on behalf of those providing the services (Participants A, B and C) and met with praise on behalf of the privatisation advocate (Participant D). This may be expected given that the team involved in the delivery of educational services rarely has a say in the development of reforms that directly impact on them. The author therefore acknowledges, reflexively, that when queried on the impact of reforms (coupled with the knowledge that their answers may be published) all the participants would likely respond in a manner which best suited their organisation and aligned with their perspective. That is, the respondents at the researched school are inclined to seek out issues which impact negatively and criticise them and seek out issues which impact positively and praise them. This reflexive process is explicated in the following chapter. For now, it will suffice to show that the interview participants noted one major positive of the devolution of budgetary responsibility. The following advantage of devolved authority parallels the finding in Broadbent and Laughlin (1997) where discretionary spending allowed head teachers the freedom to pursue valuable goals. Speaking on the increases of discretionary income, Participant A mentioned that:

A: "The reality is, in a school like this, when all is said and done, we can barely survive. However, under LSLD there may be a significant increase in discretionary money to keep the programs moving forward. For example, for our educational programs, interactive whiteboards cost about 3,000 each. I would love to put those in a budget! Hopefully LSLD will allow that."

This progressive advantage is however mitigated by the fact that there appears to be some dissonance between LSLD and another major NSW reform schedule entitled LMBR. Participant A, as an experienced principal and financial manager, recognised this conflict and mentioned that:

A: “(LMBR) is almost antithetical to the broader concept of LSLD because LSLD, philosophically, is designed to hand over more authority to principals to make local decisions whereas LMBR, with the finance component SAP, is designed to sort of centralise and... to move to what you refer to as accrual accounting... but to take away bank accounts, for example, from schools and replace that with a centralised single bank account.”

The movement to a single centralised bank account was noted by the participant as potentially detrimental to the school’s operations, particularly because, as was noted previously, the school maintains a relative degree of success in the management of its finances and levels of discretionary spending. This issue is, however, prospective and speculative and is not addressed here, although there remains potential for future research into this topic. Nonetheless, such a movement does illustrate that there exists some conflict between the two reforms. LMBR, with its keen focus on cost reduction and efficiency, limits the possibilities open to school principals. One way it will do this is by steering education programs towards standardised practices with their successes measured on quantitative and comparable accrual input and output bases. As Eacott (2011, p 76) mentions: “... there is an inherent goal of standardising the educational product in the country so any degree of autonomy that a school has is substantially stifled by existing policy.”

It is evident that budgetary devolution at the researched organisation maintains credence and has potential advantages. However, the preponderance of evidence garnered in the field suggests that the employees most affected by the reforms see the extra responsibilities as excessively cumbersome. The analysis conducted in this section also exposes a critical

change in the public servant's role from steward and mentor to financial analyst or business manager. As noted in one of the quotes above, the principal insisted that his loyalty was to 'the kids' and not to 'the numbers'. In the hypothetical scenario where an accountant becomes CEO, thus enabling a so called 'head of teaching' to maintain the educational role, the organisation still falls into the 'evaluatory trap' where financial realities smother the recalcitrant public servant. This precipitates a critique of the NSW government's actions as an effort to 'pass the buck' onto the public servant who was traditionally focussed on the gratification of students' needs. This type of critique is substantiated by other academics who arrived at similar conclusions in different contexts (Broadbent and Laughlin 1997; Edwards et al 1995; Boston 1993). Such a conclusion falls short of maligning the devolutionary approach, but nonetheless shows that governments must deliberate on such issues before moving forward with reforms. This is a finding that parallels the conclusions in Boston's (1993) study which was reviewed in Chapter Four. To further substantiate these claims, interviews with the participants revealed that reforms to budgetary practices had the potential to create new visibilities.

#### **6.2.4 NPM: Creating New Visibilities in NSW Public Schools**

The disaggregation of educational units and subsequent impetus granted to the NSW government's devolutionary reform schedule entitled LSLD began in 2011 and has since gained momentum. Discussion in the previous two sub sections indicated that, whilst current budgeting practices at the researched school run antithetical to NPM practices, the devolutionary policy has achieved at least one of the NPM doctrines listed in Table 4.1. The quantum of reform was noted as particularly salient in the eyes of the research participants. Thus the sevenfold increase in the school's budget coupled with the authority to hire and fire casual staff has encouraged the school's financial management team to apply a fresh economic lens. In this context the application of management accounting theory and practice

is redundant since none of the participants can be considered to be well versed in these disciplines. There are however new visibilities that have arisen and it is the impact of these that is of greatest concern in this thesis.

*Firstly*, enhancements to the school's budget to include salaries expenses ensure that choice of appropriate staffing mix has become a primary concern. This was alluded to above where the participants and I discussed the hypothetical situation of hiring 60 casual or a smaller number of experienced staff in the context of a limited budget figure. Given the labour intensive nature of education services, this is not a minor alteration. School principals and their financial management team must therefore plan their outlays with great care to ensure that the school is able to achieve their educational, administrative and capital program objectives.

It is evident that this increased authority can also be tethered to a newly created social aspect. Where previously principals had little authority over matters such as tenure and staff mix, the devolution of budgetary responsibility has ensured that the odium of human resource management has been placed firmly on their shoulders. The principal maintains an elevated role both as a diligent public servant and as a pillar within the community. An argument can be made that this added responsibility may jeopardise his/her reputation by absorbing the visibility, and perhaps ire, of the community. This raises significant questions about whether the principal is suited to make decisions about who will have a job in the future – a role that was putatively officious in nature. This does not imply that the principal *cannot* do the job but questions whether the principal *should* do the job. This normative quandary may require time to be resolved but it is apparent that the devolutionary policy has resulted in new visibilities relating to staffing. Tied to this normative quandary is sustainability accounting. Unerman et al (2007) indicate that sustainability accounting functions as both a mechanism of external accountability through external reports and as tool to assist financial managers in

making decisions that minimise their organisation's social (and environmental) impacts. It is conceivable, then, that new visibilities relating to staffing will have implications for both financial and management accounting practices at public schools experiencing significant budgetary devolution. Given that most principals and SAMs have little training in these disciplines, the hypothetical situation of a CEO with an accounting background running the school becomes more plausible. In the case where this hypothetical situation does not materialise, it is evident that the role of principals and SAMs may be significantly diluted. In other words, they will have to tend to the requirements of sustainability accounting and this will consume significant amounts of time that may have been dedicated to other areas such as the educational needs of children. To date the potential for sustainability accounting in public services remains an under-researched area (Hopwood et al 2010) but nevertheless can be seen to have profound implications for principals, SAMs, employees and other stakeholders working in the public sector.

*Secondly*, there are new visibilities relating to strategic decision making and performance measurement. Budgetary devolution has ensured a sevenfold increase in the funds for which schools will be made responsible and stakeholders want to see that they are receiving value for money for their tax dollars. This can be difficult to achieve in the context of the public sector generally and public schooling specifically since these organisations can be unique and the application of performance benchmarks may be untenable (Ganley and Cubbin 1992; Kouzmin et al 1999; Marr 2009; Hoque 2008).

To meet the challenge, prominent public sector strategist and commentator John Bryson suggested that “managers of public sector organisations must become effective strategists if these organisations are to fulfil their missions, meet their mandates, satisfy their constituents, and create public value in the years ahead” (Bryson 2004, p xi). However, such strategic thinking may be difficult to achieve. Moreover, there is considerable vagary attached to this

process. Bryson (2004, p 16), for instance, went on to suggest that “the vast majority of public sector organisations already claim to engage in strategic management, but exactly what they mean is unclear”. Barber et al (2007) thus outlined several imperatives which public sector organisations must attend to if they are to meet the considerable expectations of stakeholders. They (2007) argue that adherence to these imperatives will augment strategic thinking and ensure that public sector organisations operating under significant budgetary constraints will meet their productivity and accountability requirements. Thus, the new visibilities include:

- *Political imperatives*: these can be linked to sustainability accounting. Tightening the outputs and outcomes framework will improve budget transparency and financial accountability, promote better governance and minimise harm to the community. Frameworks such as Operation Sunlight and ‘quadruple bottom line reporting’ are intended to crystallise these goals.
- *Stakeholder relationships*: the inclusion of both internal and external stakeholders, ranked according to importance, in the strategic management process will provide much needed transparency.
- *Retention of employee talent*: strategies aimed at retaining talent are imperative for public sector organisations operating in a constrained labour market and competing against the private sector.
- *Management practices*: it is argued that the use of more quantitative and qualitative data to inform decisions is paramount. These so called ‘facts’ are the drivers of performance.

The latter imperative emphasises financial measures<sup>31</sup>. Thus, the third and possibly most salient visibility generated by budgetary devolution is the importance of measurement. This is particularly so because ‘what gets measured gets done’. Adherents of this maxim have argued that measurement directs resources and motivates employees thereby aligning the activities of the organisation with its long term strategic plan. It is also argued that measurement facilitates performance accountability by examining how employees perform against previously established targets set out during the planning process. As competition heats up between public schools, it is conceivable that these organisations will come to focus on analytics and metrics more and more. In this environment, technology will play a substantial role (Hood and Peters 2004). Technology therefore becomes another imperative attached to this newly created visibility. When asked about this perspective, Participant A mentioned that:

A: “Currently we limit our performance metrics to anecdotal and/or casual discussion with my contemporaries... even if we would like to, we don’t have the means or enough knowledge to sustain a ‘performance culture’, but I can certainly appreciate that that might be the way it will go in the future.”

The disaggregation of units within the researched organisation can be seen to have created several new visibilities. In Hood’s (1991) original discussion of NPM, the doctrinal elements were identified and listed as separate and distinguishable, but little attention was directed at the potential for the knock-on effects of singling out one doctrine, such as the disaggregation of public sector organisations, and satisfying it. Adherence to this one doctrine may result in the fulfilment of several others listed in Table 4.1 thus creating more visibilities.

*Firstly*, as was established above, adherence to the first of the doctrines in Table 4.1 may lead to what Hood (1991) described as ‘explicit and measurable standards of performance’.

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<sup>31</sup> An investigation of which financial figures and how they may be utilised for the purposes of augmenting the school’s strategic management is not conducted in this study.

Whereas the role of the public servant under Weber's 'ideal type' bureaucracy stresses adherence to standard rules and procedures that govern performance, loyalty to this NPM doctrine implies that performance must be measured. Coupled to this notion is the stimulus for the production of performance indicators such as league tables, inspection and self-assessment (Bowerman et al 2000). However, the significance of these types of performance indicators diminishes in comparison to the rise of public sector audit. Power (1997) suggested that auditing has become a vital element for public sector organisations that seek the fulfilment of financial imperatives and indicates that this has precipitated an 'audit society'. In a devolved budgetary environment where greater responsibility is placed on schools to provide an account of their performance, audit thus becomes a pivotal mechanism through which schools may seek legitimacy. Principles may therefore align their actions, and that of the school, not with what is necessarily considered to be best educational practice but with what is regarded as good auditorial practice.

*Secondly* and *thirdly*, it is evident that budgetary devolution and a focus on the bottom line and financial performance will lead to an increased focus on cost and efficiency thus bringing schools into line with two more doctrines outlined by Hood (1991) – parsimony of resource use and emphasis on outputs. These two doctrines stress that the curtailment of public sector costs is an important factor (Hood and Dixon 2013). Thus a *fourth* NPM visibility may ensue – a move towards contract based employment. The contractualisation of public schools is already a potentiality and is part of the reason why the NSWTF conducted a strike in 2012. Evidence that the visibility of these three doctrines was becoming more noticeable emerged in the dialogue between the researcher and Participant A:

A: "... to come to terms with these 'new accountabilities', I might need to hire a new staff member! And the Department certainly hasn't said that we cannot do that. Neither XXX (the school SAM, name concealed to maintain anonymity) nor I are

willing or able to sit here and pump out performance statistics... which, by the way, will then need to be published as well. We haven't yet experienced these effects on the ground, but they are heading our way."

M: "And what if this all comes out in the wash... as rhetoric so to speak?"

A: "Well, in the unlikely event that it doesn't happen, we will continue to operate as we have in the past. Some say that's no longer sustainable but in my experience it has proven difficult to satisfy parents with numbers alone."

Whilst current budgeting practices at the researched organisation do not necessarily marry up to the doctrines associated with NPM, recent reforms have the potential to create new visibilities such as those listed above. Future budgeting practices may therefore correspond more closely to NPM doctrines. The interpretation of these implications remains guarded, particularly because discussion with interview participants was prospective. However, the management of the school's finances remains in the hands of competent and experienced team and their experience adds credence to the insights provided. The author does not therefore consider the prospective endeavour to be a significant weakness. Moreover, the real value associated with this approach is in exposing the concerns of those whose voices are often silenced when governments step in to regulate public service operations.

The newly created visibilities of NPM doctrines have tended to focus on the domineering pursuit of efficiency within the schooling environment. These visibilities have been a result of two reforms in particular – LSLD and the LMBR program. In relation to the latter, it will be shown in the following section that the transition to an ERP system has been an enduring goal. This ERP based accounting system facilitates a broad range of business practices and will further transform the landscape of the public schooling environment and the role of the public servant.

### 6.3 Accounting Systems at NSW Public Schools

Most schools in NSW, with the exception of the 229 schools participating in the ELSNP and LMBR, are currently using the Office Automation and School Information System (OASIS). This system is intended to provide school managers with all the information they need in a single database. The system provides information related to the school, students and staff, library management and financial management. It allows schools to set up a tailored chart of accounts, monitor their budget and maintain income and expenditure transactions.

The School Financial Management Manual (NSW 2012, 2.1.8) provides some insight into the main purposes of OASIS. It indicates that good management practices will ensure that: (i) the system can only be accessed by authorised personnel; (ii) data stored in the system is protected from loss, theft or corruption; (iii) continuity of operation of the school's finance system is not threatened; and (iv) a complete management trail of transactions processed by the system is maintained to provide assurance that the transactions are accurate and authorised. The latter of these ensures that the school is able to meet the demand for information pertaining to the delegation of decision making authority to managers. Gjesdal (1981) refers to this as 'stewardship demand' and, as was demonstrated above, it is a central concern for schools. Discussion of the OASIS system with the interview participants indicated that, although it is a DOS based system and could therefore be considered antiquated, it performs exceptionally well in satisfying the demand for stewardship information:

M: "And it has its own language?"

A: "It is pre windows! Are you old enough to remember DOS?"

M: "Unfortunately yes."

B: "...It sounds like a dinosaur, but it is foolproof. It is a brilliant little system. I only wish someone was able to add modern technology to it and keep it because it

does a brilliant job. If someone does... banking at the front counter and misses 50cents, it gets picked up in my bank rec like that (snaps fingers). It's not something you can get away with. Or if they write a cheque and the check has 30 cents on the end of it and they make 80 cents instead it gets picked up very quickly on the OASIS system. So as old as it is....it does work."

Participant B, the SAM, also demonstrated that the system works effectively as a stewardship device during the budgeting process. It became apparent that the budget figures entered into the OASIS system were one of the SAM's primary concerns and he/she continually monitored the flow of expenditures for all faculties and programs:

B: "So XXX (the school principal, name concealed to maintain anonymity) will say to me, 'here are the budget figures...this is what we've allocated to the different faculties'... I then go in to my expenditure side in the OASIS system and I put the exact budget figure in that the finance committee has signed off that the faculties can get... as they start spending money it starts to show up in payment in the different subsections. As long as the original budget allocation doesn't change on this side, it shows them exactly what they've got left on the other side. So if a head teacher comes to me and it shows 5,000 left and they want to spend 9,000 I'll say: 'no, you can't do that thank you very much!'"

The above extracts from interviews suggest that stewardship and control are integral to the SAM's role at the researched school and OASIS serves this role satisfactorily. As schools progress with the transition to SAP it remains to be seen what consequences will ensue. To date there remains a dearth of studies investigating these potential consequences<sup>32</sup>. Substantiation of the findings may therefore be considered specious but, given the time and space limitations of this study, this researcher does not consider this to be a significant drawback. It is apparent, however, that this new public sector accounting technology is taken

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<sup>32</sup> A search through the main databases – Scopus, Science Direct, Emerald and Summon – using the broad search terms: 'LMBR', 'SAP' AND 'NSW public school', 'accounting system' AND 'NSW public school', 'SAP' AND 'public sector' and 'accounting system\*' AND 'public sector', reveal no academic references related to the transition to SAP in NSW public schools.

directly from the private sector and is intended to facilitate managerial relevance by providing information on an accrual basis. It is also apparent that there have been significant implementation problems and this has slowed the progress of the LMBR program in NSW public schools. Discussion of the new technology during the interview process was therefore limited to speculation but again, given the experience of the interview participants, it may be argued that credence can be granted to the insights provided. Participant A mentioned that:

A: "... because SAP is new there are a lot of reasons why we can look at it and be sceptical. Having said that, OASIS is a fairly primitive way of running a big organisation because, while it works for us and we continually pass audits, you're dealing with people who were never trained to do this... I have had three days of financial training and it taught me nothing whatsoever... I had one day from my previous principal who showed me some things and the rest of it... to me a lot of it is common sense... and for every XXX (the school's SAM, name concealed to maintain anonymity) who knows exactly what they're doing, there's probably another that doesn't. We know some of them locally because XXX had to train some of them... we know that they're floundering around in the dark... So SAP does offer opportunity to consolidate a lot of this... It's the transition that will be most problematic."

Stewardship throughout the planning and budgeting process contributes little to the organisation's productive means but does satisfy the legal requirement set out in the NSW Government Record Keeping Manual (2007, revised, 7.0.0). OASIS appears to serve this requirement well. It helps the SAM to maintain his/her role of 'fox terrier' and allows the organisation to control and explicate its progress towards the achievement of the school's goals that were agreed upon by members of the community. However, the DEC has indicated that such an approach no longer aligns with the NSW government's 2021 Plan (NSW 2012). This plan, with the accompanying slogan "NSW – Open for Business", has revealed a preoccupation with economic goals and it is possible that this is the reason that the DEC has decided to transition to a big business accounting information system.

In the context of the researched school, it is evident that demand for social, educational and economic goals contains paradoxical elements. As schools proceed with the transition to SAP, the identity of school employees, particularly leaders and SAMs, will be constructed from the NPM rhetoric and will be guided by the functional ends that SAP has been set up to accommodate. These ends are now regarded to be 'best practice' in the private sector. However, as can be seen from the review of literature conducted in Chapter Four and the exchanges between the interview participants, evidence suggests that accounting technologies do not service the traditional goals of the public servant. Furthermore, this rhetoric is often subverted by humans in both their respective organisational contexts and within the researched organisation. Hence, current and past experiences of accounting technologies have contributed to the dissonance between the principles of NPM and current practices.

There is potential that this paradoxical issue will renew the debate relating to the desirability for decision useful information in the public sector. The IASB's current stance on this issue is not debateable for organisations in the private sector. In 2005 the IASB explicated its stance in relation to the revaluation of financial assets. Thus it claimed that "for the private sector... stewardship is a subset of the broader objective of decision usefulness; whereas in the not-for-profit and public sectors, stewardship has a much larger role." (IASB 2005, p 33). It is apparent that the nature of the agency problem is different in the public sector. Whereas users of financial information in the private sector seek information that allows them to make informed investment decisions, users of information in the public sector have traditionally sought justification for the appropriation of their tax dollars. This latter use therefore maintains a stewardship imperative whilst the former maintains a decision usefulness imperative. Commenting on the potential usability of SAP within NSW public schools, Participant A mentioned during the third interview that:

A: “The package and UI is probably what schools have been waiting for... Like we said last time, the current system is a bit of a relic. I’m not sure whether XXX (the school’s SAM, name concealed to maintain anonymity) would agree with that. I mean whether it’s what we need, not whether OASIS is a relic like all of us here (laughter).”...

M: “So what, do you think, might be the implications of a system that mimics private sector rationales?”

A: “I would like to think that our focus will not change, but in my experience, and any time a major change takes place in schools, there are going to be consequences.”

B: “I like the current system... it allows me to do everything in one place. But if I can do that and give XXX (the school principal, name concealed to maintain anonymity) better information then of course I would be happy to see it come in.”

Like all relics that contain traces of a contextual past, OASIS may be suited to a time where professional ideology and economic constraint were less prevalent. It can be seen that the accounting system acts as a pivot between the principal’s role and the financial information that is revealed to him. Given that the new system will match up to private sector and NPM rationales, and will emphasise performance measurement and efficiency, a new data set pertaining to financial management will be revealed. This data set will represent a new paradigm in public schools. Whereas the old system itemises income and expenditure on a line by line basis for each organisation and sets these out as budgetary constraints, the new consolidated system will allow the DEC to oversee and compare budget figures between schools. This comparison will likely be made available to consumers on the ‘My Schools’ website thus allowing parents to choose a suitable school for their child. In this scenario the concept of public sector competition is introduced and another visibility may be created.

The market solution to this would be to introduce the user pays principle where consumers of educational services are the ones who actually pay for that service. However, NSW is guided

by an ethical imperative that education must be made available to everyone regardless of economic stature. Furthermore, student enrolments are filled first on the basis of geographical proximity to the school and then on the basis of availability. Often there are no spare spaces and this significantly limits the possibility of a market solution thus precluding the user pays principle. However, the DEC still attests to some form of competition between schools. For instance, funding levels will be assigned based on the success of school operations and the financial management model of the best performing schools will be placed on a pedestal as best practice processes (NSW 2012). Under this new system SAP will come to guide financial decision making and it is doubtful whether the traditional role of the public servant can be maintained without significant expansion of the public servant's role, retraining and/or restaffing. SAP will introduce another accounting technology which will emphasise financial imperatives. This technology is accrual accounting and it has been the source of much debate in the public sector. A reflection on the impacts of accrual accounting is presented in the following chapter.

## **6.4 Conclusion**

Accounting technologies currently being used at the researched organisation possess limited connections with principled approaches to public management such as NPM. Analysis conducted in this chapter indicated that, of the seven doctrines outlined by Hood (1991), the school adheres to only one – parsimony of resource use. However, it was found that adherence to this doctrine was not a result of a conscious application of NPM principles but rather a symptom of the social and economic context within which the school operates. Findings from data accumulated in the field also indicate that the prudent use of the school's primary resource, cash, aligns with a stewardship imperative which authors such as Guthrie (1993) and Dixon (1996) see as vital to the traditional role of the public servant. The

interpretation of interviews suggests that the employees at the researched school have aligned themselves with this traditional view.

Despite the findings regarding current practices at the researched organisation, there appears to be an undercurrent of NPM principles pervading the public schooling landscape. Of primary significance has been the devolution of budgetary responsibility. Federal and state government reforms have ensured that schools will be held responsible for much larger budgets and will be required to meet more stringent performance levels. New visibilities have been created including choice of appropriate staffing mix, emphasis on strategic management and competition and a renewed focus on performance metrics. The latter of these visibilities has elevated the role of accounting from that of a stewardship mechanism to a facilitator of numerical and monetary performance measurement. Under this new system, it is conceivable that several other doctrinal elements of NPM will coalesce in NSW public schools. Hood (1991) described this administrative style as ‘sigma’ – those that attempt to match the organisation’s resources to narrowly defined goals in the most efficient way possible. Under such a system, Hood (1991, 1995) noted that accounting plays a central role. However, in this study it was found that strict adherence to accounting numbers may weaken the traditional role of the public servant and this could have detrimental effects on student outcomes. This finding is substantiated by interview data which suggests that principals and SAMs are focusing more and more on accounting numbers and this is diluting their traditional roles. This conclusion is supported by academics such as Olsen et al (1999) who found that public sector organisations in differing contexts have fallen into to an ‘evaluatory trap’ where the responsibility for service delivery is subsumed by official accountability in text.

The findings in this chapter indicate that the role of accounting technologies is both a complex matter for schools to deal with and represents an ongoing conceptual struggle. This is perhaps why Carlin (2005) refers to the ongoing debate about public sector accounting

technologies as ‘peripatetic’, a claim that is exacerbated in NSW public schools where technologies are still in their fledgling stages. This study has, however, contributed to the growing body of empirical literature which examines the role of technologies such as devolved budgeting, accounting information systems and accrual accounting. A significant finding was revealed by exposing the immediacy of NPM practices and situating several of the doctrinal elements within accounting technologies at the researched organisation. Another important finding was that traditional forms of accountability which included notions such as stewardship and closeness to the client, i.e. secondary school students, had been subsumed by accounting technologies which emphasised monetary imperatives, accountability in text and measurable performance.

## **Chapter 7**

### **Convincing Arguments; Summary and Conclusion**

#### **7.1 Introduction**

For the duration of this study, reforms to public schooling have been ongoing and incomplete. The researcher therefore acknowledges the time and space constraints of this study and the limitations of elaborate theoretical linkage. This chapter will attempt to explicate several elements of Giddens' theory to initiate a theoretical tether and inspire further research into this area. The intent will therefore be to extend this study with some reflexivity and in so doing put forward some convincing arguments in relation to the knowledge claims, particularly those relating to accounting technologies and NPM in the case of NSW public schools. That is, this chapter provides pragmatic judgements on the reflection of the researcher.

This chapter is organised as follows. Section 7.2 outlines Giddens' theory of structuration and identifies the elements involved in the researched school. Section 7.3 presents a reflection on the methodological applicability of the current study. Section 7.4 presents a reflection on forthcoming changes in NSW public schools by attempting to slice through the rhetoric of NPM to decipher which of the doctrines outlined by Hood (1991) may be beneficial to NSW public schools. Section 7.5 identifies areas of future research. Section 7.6 summarises and concludes the study.

#### **7.2 Theoretical Framework – Giddens' Theory of Structuration**

The application of theory in a case study is regarded as highly beneficial in both guiding and organising the data collection phase and as a vehicle for producing pragmatic findings where contextual barriers may otherwise limit such application (Yin 2009; Lodh and Gaffikin 1997; Neuman 2011). Humphrey and Scapens (1996) mentioned that a theoretical framework is an essential component of any case study and that it serves as a potent rhetorical device to both

interpret the research findings and convince readers of the validity of their original contribution. In the academic ranks of accounting, there are many who would concur with this view (Laughlin et al 1989; Alam and Lawrence 1994; Lodh and Gaffikin 1997; Llewelyn 2003; Denzin and Lincoln 2003; Hoque 2005; Cooper 2008).

The theory selected to contribute to the interpretive schema in this study is Giddens' theory of structuration. Giddens' work comprises many sociological aspects of previous works in the field. Thus, in many of his works spanning a 23 year engagement, he critiques and invokes the works of authors like Weber, Durkheim, Goffman and Habermas. He compiles a comprehensive, yet occasionally maligned, theory which sets about achieving the "illumination of concrete processes of social life" which precedes social change (Giddens 1984, p xvii). From this initial statement it can be seen that Giddens builds on the assumption that social change is an observable phenomenon but it is constituted by the actions or 'processes' of knowledgeable agents. This is a defining characteristic of Giddens' theory. He suggests that the social world is neither objective nor subjective but rests somewhere in between. He rejected the objectivist's position which disavows the potential for human actors to construct reality, whilst at the same time rejecting the subjectivist view that social structures are non-existent and that all actions are within the purview of the individual or group (Giddens 1979). Central to this contention is what Giddens describes as the 'duality of structure'.

Giddens defines structure as sets of rules and resources or 'structuring properties' which allow similar social practices to exist across varying contexts. These rules and resources are regarded as the building blocks of social systems, which he defines as "reproduced relations between actors or collectivities, organised as regular social practices" (Giddens 1984, p25). Giddens sees institutions as the structural exemplary. The practices of institutions possess the greatest time-space extension and in this sense become the 'virtual order' of aspects of social

life, be they professional, dialogical, governmental or otherwise. According to Giddens (1979), structure is characterised by an 'absence of the subject', except in instances where the agent coordinates activities by using 'memory traces' to propagate current structures. Structure thus directs human action towards attainable and 'desirable' goals through rules and resources. However, as Giddens (1984, p 25) notes, "structure is not to be equated with constraint but is always both constraining and enabling." This is what Giddens refers to as the 'duality of structure'. He explicates this duality as follows:

"In reproducing structural properties... agents also reproduce the conditions that make such action possible. Structure has no existence independent of the knowledge that agents have about what they do in their day-to-day activity. Human agents always know what they are doing on the level of discursive consciousness... However, what they do may be quite unfamiliar under other descriptions, and they may know little of the ramified consequences of the activities in which they engage." (Giddens 1984, p 26)

Under structuration theory it can be seen that actors in a social setting are able to constitute and reconstitute structures but are also bound by them. Giddens argues that actions and structures therefore presuppose each other but actions are conscious efforts on behalf of the actor whereas structure is an abstraction of an extant social reality. It is important to emphasise the last two lines of the above quote where Giddens implies that, although they are knowledgeable of their actions, actors may not be knowledgeable of the ramifications of these actions. These ramifications may include deleterious effects on others or perhaps something even more sinister such as the reification of an ideological system that services an elite corporate class (Harvey 2005).

Further travel down the path of Giddens' theory may be possible, however at this stage the researcher acknowledges that this is a task that requires time for recent reforms to crystallise and then be investigated. Initial postulation would situate the budgeting mechanism as a

central element of the structuration process to be used as a ‘signifier’ between the institution (government) and key players at the researched organisation. Future research utilising Giddens’ theory may focus on the iterative nature between the players at the researched organisation and the accounting apparatus with which they interact. There are further insights to be garnered from Giddens’ theory. In particular, the social constructivist ontological assumption which pervades Giddens’ sociological work is one that accounting researchers have yet to fully embrace. The convenient match between the assumptions of Giddens’ sociological theory and that of nominalist accounting researchers presents an opportunity to examine a widely regarded social theory as it applies to accounting practice. To date much academic literature on this topic has eschewed Giddens’ theory of structuration in favour of theories of political interest such as institutional theory (DiMaggio and Powell 1991). However, the author acknowledges the potential richness to be gained through exploring this theoretical tether and applying the social constructivist perspective. Accounting has long been recognised to be a socially constructed practice (cf. Hines 1988) and it is armed with this knowledge that the researcher now embarks on the next phase of this chapter.

### **7.3 Reflection on Methodological Applicability**

As has been elaborated in previous chapters, it appears that there have been many interpretive studies which have concentrated on NPM principles and their relation to accounting. With respect to context and ontological positioning, many of these studies have demonstrated that accounting and accounting changes have been situated in specific contexts and are subject to various social, political, administrative and economic forces (Zifcak 1990; Bhimani 1993). These studies have therefore eschewed the position of ontological realists who have depicted accounting as somehow detached from its organisational contexts. This ontological position is not unique to public sector studies. Indeed, as was established above and in Chapter Five, ontological nominalism has become an increasingly important aspect of organisational

studies and represents a paradigm with which accounting researchers can engage and produce useful empirical work.

The present study has attempted to utilise this ontological premise and show that accounting changes being introduced in NSW public schools are the result of situated contexts and political wills. This thesis has demonstrated that NPM, in its doctrinal form (Hood 1991), can be viewed as both an abstraction of what is regarded as 'ideal' managerial practices in the public sector and as a theory which can be used to inform policy makers about how to optimise public services.

However, this study has shown that the optimisation of public services using idealised concepts such as NPM does not always match up with how we, as taxpayers, would like the world to be. It can be argued that the strength of the constructivist perspective, interpretive paradigm and qualitative approach is in exposing this mismatch. Field research and interviews allow the researcher to immerse him/herself in the day-to-day lives of the research participants and this facilitates contextual understanding. This does not augment practice *per se*, nor does it address the issue of using the extent of actor agreement as a yardstick to establish the validity of interpretive research which Chua (1986) argues is a major drawback of the paradigm. But it does have the potential to illuminate gaps between what citizens expect from their public servants and what is considered to be 'ideal' or best practice. The claim that a gap exists is based on the assumption that "accounting numbers are inadequate representations of things and events as experienced by human beings" (Chua 1986). Thus any 'illumination' of these gaps is a step towards redressing this inadequacy. Furthermore, such illumination could be construed as possessing critical social scientific elements and may therefore bridge the gap between what some have distinguished as the weakness of the interpretive approach, that being a disinclination to adopt an emancipatory stance or 'evaluative dimension' (Chua 1986). In Fay's (1987) framework of critical social science,

one of the four sub theories is what he classifies as ‘education’. It can be seen that the words ‘illumination’ and ‘education’ possess propinquity. Hence it is argued here that interpretive research leads to ‘education’ and this is one part of critical social science, even though it just 25% according to Fay (1987). The argument could stop here, but it is worthwhile digging a little deeper into this idea.

Fay (1987) insisted that a theory of education delves into the knowledge base of individuals and uses it to stimulate thought on how extant social structures may be toxic to society. It is via analysis of the knowledge base that the flotsam and jetsam of social structures can be made visible and sifted through in order to achieve emancipation. As Dillard (1991, p 16) points out, “An understanding is gained as to what people believe and how these shared beliefs need to be changed”. This thesis, and the interpretive approach in general, seeks to find out what people believe but stops short of taking a stance on how or whether these beliefs need to be changed (Burrell and Morgan 1979). Even so, interpretive research can illuminate these beliefs and in so doing contribute to the betterment of society via education, a task that was previously thought to be strictly within the purview of ‘critical social science’ (Chua 1986; Neuman 2011). The quote from Chua (1986) below perhaps glosses over the emancipatory potential of interpretive social science, specifically because the words ‘a new language and form of life’ can be construed as being part of the fourth and most important of Fay’s (1987) sub theories – transformation. Thus, Chua (1986) mentioned that interpretive research reveals the underlying nature of actions in society and,

“...the aim of the interpretive scientist is to enrich peoples’ understandings of the meanings of their actions, thus increasing the possibility of mutual communication and influence. By showing what people are doing, it makes it possible for us to apprehend a new language and form of life.” (Chua 1986, p 615).

Thus it may be posited that debate concerning interpretive versus critical social science is redundant, particularly as both are premised on similar ontological foundations and as has been shown, the former is capable of contributing to the latter. Studies such as Burchell et al (1980), Hopwood (1979, 1984) and Tinker et al (1981) have referred to the partisan nature of accounting in social change and both interpretive and critical studies require similar ontological starting points to come to this conclusion, otherwise what we are left with is Comtean positivism which assumes that social practices are atomistic and are able to be studied independently of the researcher and researched (Gaffikin 2008).

In sum, interpretive social science is often criticised for not taking an emancipatory or evaluative stance on potentially reified and noxious social structures. However, the argument above relaxes this criticism by showing that interpretive social sciences *contribute* to critical social sciences. Furthermore, it can be said that interpretive social science both contributes to the understanding of critical social science researchers, thereby making their jobs easier, and does so without the necessity for moral dilution which academics such as Chua (1986) insist is inherent in critical social scientific studies. Of course, interpretive sciences must still adhere to scientific norms and principles which pervade the discipline before they can be considered to possess any ‘educational’ or ‘illuminative’ benefits.

Studies such as those mentioned above have set the benchmark for critiquing the philosophical underpinnings of our scientific discipline, but it is in conducting interpretive studies, such as the present one, where significant gains in our knowledge can be obtained. Moreover, the real strength of the present study is in illuminating differences in what is considered to be ‘knowledge’. In particular, this study has shown that there exists some dissonance between policy and practice. The public servants at the researched school were noted to have placed significant emphasis on their ‘duty’ to the students and to the taxpayer. To them, this duty represents knowledge about their roles. On the other hand, the actions of

reformers appear to have neglected this duty in favour of economic optimisation. The two may yet be compatible, but results in this study have demonstrated some friction. The NSW government's mandate for devolved budgeting and NPM may be premised on a changed focus of public sector accountability. The methodological framework of this study has allowed the researcher to conclude that the government now sees educational accountability in terms of efficiency, cost containment and performance in place of traditional forms of accountability which stress stewardship of resources and fidelity to the constituency. Overall, the interpretive approach used in this study has unveiled a distinctly neo-liberal attitude resulting from changed socio-economic circumstances discussed in previous chapters.

Previous chapters have also indicated that there may be disparate theoretical stances and researchers may position themselves in order to conduct interpretive research in studying NPM in any context. As noted by Yin (2009), the case study approach is limited in terms of generalizability. This however does not limit the ability of the researcher to conduct a third order interpretation which seeks theoretical generalisations. Anthony Giddens' theory of structuration is thus considered here as a theoretical tether which can be utilised to link the actions of managers at all levels of the public sector (Parliamentary, departmental or organisational) to extant structures. The strategy adopted in this study, i.e. field research confined to a case study, establishes boundaries which limit the application of the theory. This does not limit its applicability. There are academics within sociology who would disagree with this sentiment. Archer (1988), for instance, argued that Giddens' ontological positioning is incompatible with realist social theory and this limits the applicability of Giddens' theory of structuration. Stones (2001), however, disagreed with Archer and argued that the 'duality' to which Archer and Giddens refer are not contentious. The realist position in relation to duality maintains that agency and structure are parts of the person. (cf., Archer

1988, 1995) Archer (1988) argues that Giddens rejected this position and that he distinguished the two as ontologically distinct. Stones (2001), however, argued otherwise:

“This kind of dualism is rejected because structuration theory conceptualises structure as being partly within the agent as knowledgeability or memory traces. So the structure enters into the person (or corporate agent) such that we can say *both* that agency is a part of the person and that social structure is a part of the person” (p 184, italics in original).

The two (or one as Stones (2001) would contend) forms of duality are acknowledged in this research endeavour and, as Stones (2001) points out, may need further clarification and empirical backing. Gaffikin (2007) argued that research is intended to achieve, at least partly, just this – support for an existing theory. Thus even though the theoretical tether is incomplete in this research, the attempt to link the concepts in this thesis or recognition of structure within the NSW public sector opens up new avenues of thought for this researcher and others who intend to pursue similar topics. The application of Giddens’ theory of structuration is therefore considered to be both an applicable and valuable source of sociological theorising. Moreover, given that the ontological positioning of the present research aligns with Giddens’ perspective, application of structuration theory can proceed unperturbed by dissonance between the philosophical underpinnings. It appears to this researcher that further clarification of the concepts in this thesis and a crystallisation of reforms in NSW public schools is needed before this theoretical tether can be attached.

#### **7.4 Reflection on Good NPM Practices and Forthcoming NPM Changes in NSW Public Schools**

Ideally, to borrow from the parlance of engineering, form follows function. In the public sector where innumerable stakeholders and their respective values must be satisfied, function is a rhetorically charged concept. What is good for one group of citizens may not be good for

another<sup>33</sup> and governments must balance these desires expediently to ensure re-election. This is perhaps why Plato insisted on a totalitarian government led by ‘philosopher rulers’ to make ‘good’ decisions because, as noted in Chapter Three, these rulers eschew power and seek only knowledge to enhance public life. Conversely, if the function of government is considered to be of a utilitarian nature as reputed by advocates of public interest theory, then Fukuyama’s (1992) assertion that democracy represents the ‘end of history’ holds true.

Regardless of form, both cases represent a desire for the overall well-being of society. Today it appears that governments have applied a neo-liberal mentality to stimulate this well-being. That is, the function of government is deemed to be one that increases the overall well-being of society and the correct form is now believed to be one that stresses neo-liberalism. This neo-liberalism has manifested in a specific form of public management which was described in previous chapters as NPM. It is a managerial approach that stresses private sector management styles, competition, performance, efficiency and effectiveness. As noted in the analysis of the case study in Chapter Six, devolution of budgetary responsibility, a tenet of NPM, has ensured a monetary emphasis and it is here where accounting plays a significant role. Indeed, the money premise is tautological – if public servants are provided with fresh mandates to focus on the bottom line, and are provided with accounting mechanisms such as balance sheets and budgets which only show dollar values, then it is to these dollar values that public servants will tend to more and more. The question to be posed at this stage is: ‘does this approach contribute to how we want the world to be?’

The analysis conducted in this study can be seen as ‘skeletal’ (Laughlin 1995) and needs further fleshing, analysis and research to arrive at concrete conclusions. On one hand it could be seen that the principle and SAM at the researched organisation tended primarily to the

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<sup>33</sup> For example, a government that builds a highway through a residential area may be lauded by motorists but maligned by local residents.

stewardship of cash and catered to the needs of the students diligently and honourably. This approach aligned with what is considered to be the traditional role of public servants. Contributions to student outcomes (the well-being of society) in this scenario are expected to flow from nature of the public servant as a ‘fox terrier’ of the public sector. On the other hand, it could be seen that recent reforms have created new visibilities at the researched organisation and the DEC now supports NPM practices. Contributions to student outcomes in this contrary scenario are expected to be a function of improved financial management and efficiency. In other words, less costly schools are able to redirect resources to other areas thereby increasing their overall effectiveness (assuming these resources are not wasted).

By inference, it can be seen that ‘good’ NPM practices are those that can both improve the efficiency of the organisation whilst simultaneously maintaining the traditional role of the public servant. Ideally, this is how we want the world to be – a place where public servants can maintain their role as custodians of the public interest whilst decreasing the costs of their schools and generating new opportunities and innovations<sup>34</sup>.

## **7.5 Reflection on the Use of Accrual Accounting**

An important aspect of reforms associated with NPM in public sectors has been the adoption of accrual accounting (Barton 2009; Carlin 2005; Christenson 2007; Connolly and Hyndman 2006; Gårseth-Nesbakk 2011). As noted in Chapter Three, along with New Zealand and Sweden, the NSW government has been considered somewhat of a pioneer in its adoption of this accounting technology across the whole of government (Public Accounts Committee 1996). Prior to its development in the late 1980s and full adoption in NSW in 1993, public administration at all tiers of government operated on a cash basis. In this form, appropriations and authorised expenditures are to be recorded when cash changes hands. In contrast, accrual accounting is defined by IPSAS1 (2000) as:

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<sup>34</sup> This normative statement is relative to how the world currently *is*. Ideally we would like to live in a utopian society but authors have shown that this form is perhaps unattainable (Levitas 2013).

“A basis of accounting under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses” (Para 6).

Since the full adoption of accrual accounting for the whole of government in NSW, its merits have been widely debated in academic, industrial and official government circles (Christenson 2007). Accrual accounting has been portrayed as the technical apparatus by which the greatest progress can be made in the public sector including; (i) Comparability to the private sector; (ii) Reductions in timing manipulations that can arise through cash accounting; and (iii) Improved external accountability and transparency (Christenson 2007). Amongst its advocates, Salinas (2002) also argued that accrual accounting is a necessary tool to enhance the performance of public sector organisations as well as amplifying public sector transparency and accountability. Carlin (2005) extrapolated this interpretation. Thus he described accrual accounting as the ‘feeder system’ to facilitate ‘hub’ reforms. A feeder system is identified as a necessary precondition before wider reforms to accounting technologies take place. In NSW public schools, the wider ‘hub’ reform refers specifically to AOB, an accounting technology that complies with NPM doctrines. Carlin (2003) recognised the potential for accrual accounting to act in this capacity<sup>35</sup>. Succinctly stated, the difference between AOB and other input based budgeting systems, such as that currently used at the researched organisation, is that output systems seek to hold managers responsible for the performance of their organisation, whereas input systems seek to hold administrators responsible for the resources entrusted to them (Carlin, 2003). The greatest results for such a hub reform are therefore considered to be the improvement of organisational performance

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<sup>35</sup> Carlin (2005) refers to AOB as ‘accrual output based budgeting’ (AOBB) but the two are conceptually identical.

(based on both outputs and outcomes) and the transparent evaluation of services on a full-cost basis (Carlin, 2005).

This researcher had initially intended to investigate these claims in the context of public schools and this was to be the main focus of the current study. Unfortunately it was not until after a significant review of literature, ethical work, scholarly presentations and other work that this researcher discovered, somewhat laggardly, the infeasibility of this intent – to date, accrual accounting has not been utilised at public schools. However, this will change as the LMBR program moves ahead with the implementation of the SAP system.

Initial discussion with interview participants indicated that accrual accounting is a technology with which they possessed little familiarity. This is to be expected given that the above analysis on budgeting practices illustrated that the public servants involved in delivering education possessed little training in financial management. Indeed, the budgeting process was not regarded as a technical procedure but, as Participant A mentioned, it was moreover seen as ‘common sense method’. The common sense approach appeared to match up with the traditional goals of the principals and SAMs which emphasized integrity, stewardship and a keen focus on the students. Nonetheless, the participants did have occasional exposure to accrual accounting both through experience and through government publications. Participant E, who took over from the old SAM at the researched organisation, indicated that:

E: “I have had no experience with accrual accounting except through my old job and even then it wasn’t something I really needed to know about. I know that it will come in at the end of the year around November and I know that it will affect DEC staff probably more than us. We will be using SAP... tailored to our need here at the school.”

When asked whether they would like to learn more about accrual accounting, participant E indicated that it was not about ‘want’ but more about ‘mandate’:

E: “If it boils down to it (the adoption of accrual accounting in schools) then I... and all the other SAMs... will have to comply. I suppose that will mean a fair bit of training.”

These exchanges suggest that the DEC has not taken steps towards either legitimizing the use of accrual accounting in schools or towards applying accrual accounting with any concreteness. This is unexpected given that the discourse and rhetoric surrounding the use of accrual accounting has been prevalent for some time (Christenson 2007). A reflexive interpretation of these circumstances could be that, whilst accrual accounting is useful for managers to make informed financial decisions, it adds little value for principals concerned with the edification of students. Thus accrual accounting in NSW public schools might play a twofold role. On the one hand, accrual accounting may improve the performance of schools by offering the financial management team the means to make informed economic decisions thereby generating considerable cost savings. From this perspective, a less costly school means greater opportunity and the introduction of accrual accounting therefore maintains logical credence. On the other hand, the introduction of accrual accounting may further jeopardise the traditional role of the public servant and lead to a deterioration of the public schooling experience. The trade-off between the twofold roles is not a trivial matter and, as Humphrey and Miller (2012) note, is a question that should be addressed empirically. A third body of literature has suggested that the implementation of accrual accounting in the public sector is a conduit for institutionalising wider public sector reforms (Ellwood and Newberry 2006). Future research may be directed towards addressing these questions.

## **7.5 Future Research**

Humphrey and Miller (2012) maintained that a desirable goal for the accounting researcher is to investigate what happens when calculable and rational models of accounting are applied in an inconsistent, contradictory and paradoxical public sector environment. As noted in section 7.4, accrual accounting is a technology that has suited the needs of the private sector and will

soon be implemented in NSW public schools. Thus, future research may be directed at: (i) investigating the implications of transitioning to accrual accounting at a researched organisation; and (ii) providing evidence of whether accrual accounting can achieve benefits such as improved performance and efficiency and increased transparency and accountability. The former objective maintains a behavioural focus and may proceed along similar methodological guidelines as that used in the present study. An interpretation based on evidence accumulated in the field may be aimed at elucidating potential impacts on what employees considered to be their roles at the organisation and whether they could maintain their traditional roles. Thus the 'implications' referred to above would focus primarily on the changing nature of accountability at public schools. It may be argued that the latter objective may be operationalized more easily after the actual implementation of accrual accounting through further study; however the state of current reforms essentially precludes this possibility. Moreover, the latter objective may emphasise an ascertainment of the sentiments of those whose voices often become silenced during the fledgling stages of a reform process. There have been few qualitative field-based studies designed for this purpose (Christenson, 2007; Ryan, 1998; Carlin, 2005; Funnell and Cooper, 1998) hence future research into this area may provide a pragmatic element to the ongoing conceptual debate.

Throughout this study, it was noted that NPM has been a pervasive instrument for many organisations in the public sector. One of the new visibilities discussed in Chapter Six was the eminence of quantitative, monetary performance measurements to satisfy NPM principles in NSW public schools. It is in the creation and evaluation of these performance metrics that accounting plays a significant role (Hoque 2008; Hoque and Adams 2011). Currently the evaluation of school performance has stressed educational outcomes as evidenced by the use of the National Assessment Program – Literacy and Numeracy (NAPLAN) results on the 'My Schools' website but there are limited amounts of financial information available to

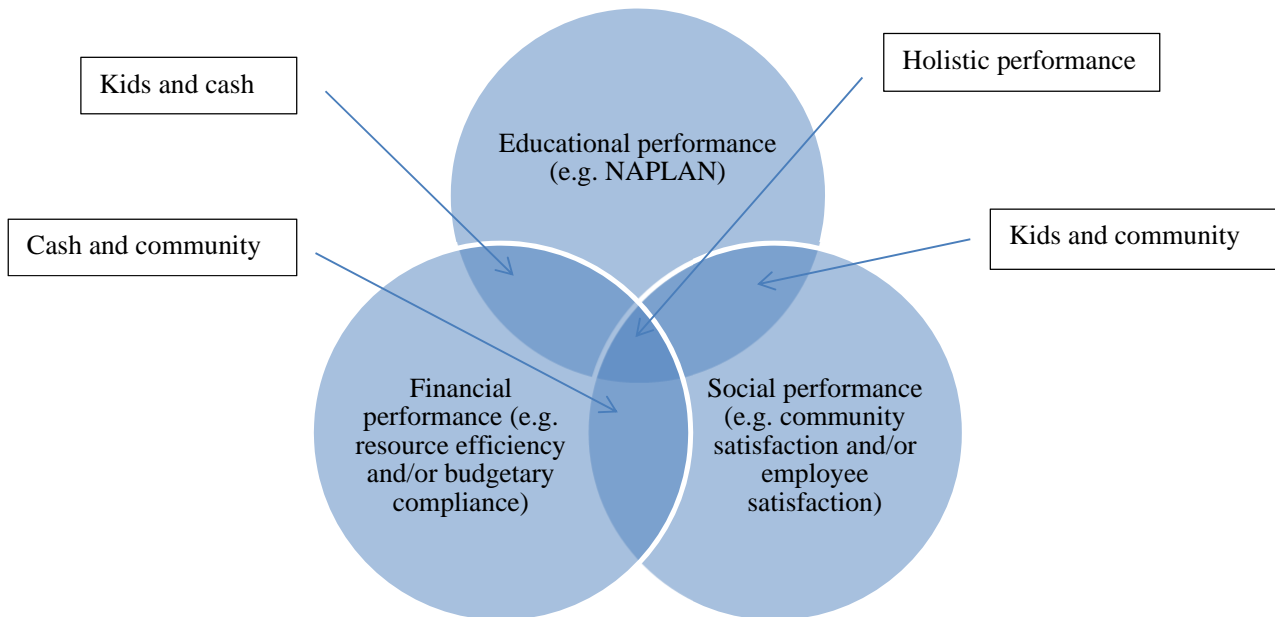
parents to make informed decisions. Whilst it may be argued that parents do not make use of this type of information to make decisions (Tooley and Hooks 2010), a study into the usefulness of overlapping educational and financial results may be beneficial for those interested in augmenting public education in NSW and Australia. A third social aspect may be included and this may facilitate a holistic representation of school performance. This social aspect was briefly touched upon in Chapter Six where it was found that budgetary devolution had created new visibilities relating to social impacts. As Unerman et al (2007) indicated, accounting for social concerns, such as a school's contribution to the community and employment of staff, is a useful mechanism that allows policy makers and managers to assess the impact of current practices and allows organisations to discharge their accountability to external users who may then make informed decisions. Future studies may therefore include these three aspects to create a viable framework to assess the performance of public schools. A graphical depiction of this framework is presented in Figure 7.1.

A fourth environmental aspect may also be included in this framework. This would allow schools to assess their performance based on sustainable practices as advocated by the Brundtland Report (UN 1987, p 64) which defines sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Whilst this fourth aspect is not a trivial matter, it is fairly obvious that a school's environmental impact is far less than other organisations that, for example, extract resources or consume large amounts of energy.

In addition it may be argued that we currently do not possess the means to produce accounting numbers that faithfully represent the environmental burden left to future generations. Furthermore, as Chua (1986) mentions, the uses of quantitative measures under the interpretive and critical research paradigms are perceived as being ‘inadequate representations’ of extant realities. Nonetheless, in a world where environmental issues are

receiving greater consideration, it may be worth considering environmental impacts as being ‘inside the fence’ (Hines 1988), or the playground as it were, at NSW public schools.

**Figure 7.1: Future Studies in the Performance of NSW Public Schools**



A limitation of this study was that it investigated changes to accounting practices in the context of a reforming education environment. This essentially precluded the ability of the researcher to perform an *ex post* examination of the impacts of accounting reforms. Reforms to public schools in NSW have materialized very recently, thus another viable avenue of future research may be what Neuman (2011) describes as an ‘impact assessment’ using a case based approach. This type of study may progress in many forms. For instance, it may range from an instrumental case study aimed at examining the impact of accounting reforms using a rich description, to a longitudinal or multiple case study which compares selected features across numerous cases. Whilst the selection of an appropriate number of cases is important, a more critical issue relates to the topic of investigation. A comprehensive list of future topics is outside the purview of this section, however the researcher can conceive of several

important aspects worthy of investigation. The first three of these relate to the framework depicted in Figure 7.1 and the last is similar to the present study except that it investigates impact after reforms have occurred. Thus, studies on reforms to accounting technologies at NSW public schools may focus on: (i) impact on educational performance; (ii) impact on social performance; (iii) impact on financial performance; (iv) impact on the perceived roles of public servants; (v) impact on organizational morale and culture; and (vi) impact on accountability in terms of ‘who’ schools are accountable to and ‘what’ they are accountable for.

### **7.6 Summary and conclusions:**

This study has explored the paradoxical issue of applying private sector management and accounting technologies in the public sector. Research questions considered in this study includes: (i) ‘What accounting practices associated with NPM reforms have been introduced in NSW public schools?’; (ii) ‘How do principals and School Administration Managers (SAMs) manage the day to day financial operations of NSW public schools?’; (iii) ‘What new visibilities and accountabilities have been created since the introduction of the above accounting practices?’; and (iv) ‘What is the sociological interpretation of the introduction of accounting technologies?’. The study is situated in the context of NPM and a reforming education sector. The research is carried out using a field based approach in one NSW public school. It has contributed to our understanding of emerging accounting technologies and practices such as devolved budgeting and the introduction of an ERP system and has outlined several of the issues surrounding their applications. It is revealed that the disparity between the goals of the private and public sectors is not attended to by reformers concerned with creating a more efficient, effective and economical (Three Es) education sector. Findings from the body of knowledge accumulated in the field suggests that those involved in the day-to-day financial management of NSW public schools are not only interested in these three

Es; but also share a preoccupation with what is perceived to be their traditional roles that are focused on probity and dedication to the client. Despite the disinterested nature of those involved in financial management at the researched organisation, government policies have precipitated a fresh economic outlook which appears to be a catalyst for the movement towards a managerialist approach.

Reforms reflecting this managerialist approach have not yet been taken up across all schools and the current study shows that practices at the researched organisation have been progressing relatively unhindered. It can be argued that the attitudes of those involved in the financial management of the school reflected a demand for *stewardship* accountability as opposed to the tenets of NPM which unapologetically pursue cost-efficiency and accountability for performance. Nonetheless, the study reveals that new visibilities have been created at the researched organisation, several of which have reflected NPM rationales. It is demonstrated that the financial management team, who were previously attuned to traditional imperatives, have been reluctantly coerced into heeding economic realities. This is consistent with Broadbent and Laughlin (1997) who argued that the new technologies are resisted by practitioners. As well, it is consistent with Olson et al (2001) who argued that many public sector organisations have fallen into an 'evaluatory trap' where emphasis is placed on the formal discharge of accountability that emphasises private sector business imperatives, rather than the judicious and present application of responsibility which stresses service delivery.

This study has also initiated the use of a theoretical tether of *how* accounting acts as a powerful mechanism in shaping the attitudes and practices of those involved in financial management at the researched organisation.

In *Chapter Two* the role of context in conducting qualitative accounting research is acknowledged and a background to the study is presented. This background chapter focusses

on delineating the institutional, departmental and organisational structures that are deemed relevant to the present study. A definition of the public sector and public sector accountability is also presented, however it is noted that there are nuances attached to this classificatory endeavour. The contrast between the goals of the private and public sectors leads to implications for the discharge of accountability to the constituency. In subsequent chapters the accountability regime at the researched organisation is scrutinised to decipher which form, stewardship or performance, is more salient. Chapter Two also discusses the government department that is most closely tied to the researched organisation and shows that schools are currently operating in a constrained economic environment where the DEC directs, oversees reforms and provides mandates to the respective organisations.

In *Chapter Three* an attempt is made at delineating the role of government from three differing normative and historical perspectives: Plato's idealism, Locke's optimism and Hobbes's pessimism. There is a commonality in these three perspectives. Even though the role of government may be based on any of these perspectives, it is seen that context plays a significant role in any conceptualisation of the need for government. The chapter then acknowledges that these differing teleological perspectives are subsumed by debates concerning the optimisation of administrative function. Thus the chapter proceeded to outline the tenets of bureaucracy. In so doing, a contrast is drawn between traditional forms of bureaucracy and current forms of public administration which incorporates tenets of NPM. It is also demonstrated that government reforms during the 1980s and 1990s steered governments in the UK and Australia away from traditional bureaucratic culture towards a managerialist culture. These reforms are shown to have prevailed in the context of the NSW education sector. Reforms such as Local Schools, Local Decisions (LSLD) and the Learning Management and Business Reform (LMBR) programs have buttressed and directed towards managerialist culture. This outline of reforms sets the boundary for the following chapter and

illustrates the antecedents of New Public Management and contexts of research investigation for this study.

In *Chapter Four* a discussion of NPM based on Hood's (1991) original description is provided. This is conducted in order to substantiate analyses on accounting technologies and NPM reforms which provides the foundation for the discursive arguments for this study as has been represented in Chapter Six. The tenets of NPM are outlined and it is established that NPM had reversed the two cardinal doctrines of the progressive era of public management. Thus NPM had: (i) lessened the differences between private and public sectors; and (ii) created a shift from process accountability to accountability for results (Hood 1991; Dunleavy and Hood 1994). It is argued that the reversal of these two doctrines reflected a drive towards a more efficient, effective and accountable public sector (Cf., Jones et al 2001). Chapter Four also presents a review of literature from both international and Australian sources on NPM. This review concentrated on qualitative field studies which demonstrated an incompatibility between the goals of NPM and the traditional goals of public sector organisations. It is noted that considerable rhetoric surrounded the implantation of NPM tenets but the promises put forth by governments have not yet crystallised.

In *Chapter Five* the philosophical underpinnings, strategy of inquiry and research problem and questions are outlined. It is shown that accounting is a social practice that is constituted by knowledgeable actors and the flow from a nominalist ontological perspective to qualitative field research method is both logical and justified. The research design for this thesis is also outlined in Chapter Five. This study adhered to qualitative research design but, as has been noted earlier in this chapter, the time and space constraints limited the ability of the researcher to accomplish phase two of the study. Methodical notes on interviewing, ethics and reflexivity were also presented in Chapter Five and lent support to the philosophical and theoretical underpinnings of this study.

In *Chapter Six* an analysis of current and future management and accounting practices at one NSW public school is conducted. The intent is to situate reforms to accounting technologies against a backdrop of NPM and decipher which of these technologies have become pronounced. It is found that employees at the researched organisation limited their application of NPM tenets and only one tenet had been effectively satisfied which is *parsimony of resource use*. In addition, it is found that the application of this tenet is not a conscious decision on behalf of the financial management team to satisfy an NPM agenda but is a symptom of the social and economic context within which the school operates. This finding implies that NPM, as a framework for optimising administrative function, represents a grandiose attempt at political expediency in the context of public education in NSW. Interpretation of interview data suggests that employees at the researched school have aligned themselves with the traditional approach to the delivery of public services which stresses *stewardship of resources* and a focus on the users. Nonetheless, analysis conducted in this chapter also indicates that new visibilities have been created since the arrival of reforms to public education. In particular, *devolution of budgetary responsibility* has ensured that those charged with financial management at the researched organisation must pay closer attention to the appropriate staffing mix. It is noted that there is potential for the deterioration of student outcomes because principals may choose to sacrifice experienced staff in order to comply with budget constraints. This finding is substantiated by recent industrial action which emphasised a similar perspective. It is also noted that accounting may experience an elevated role within schools. Where previously accounting served as a stewardship mechanism, under the new system it may become a facilitator of numerical and monetary performance measurement. An analytical perspective suggested that several other doctrinal elements of NPM will coalesce in NSW public schools and public services in this sector may therefore move closer to what Hood (1991) describes as '*sigma*' style administration – those

that attempt to match the organisation's resources to narrowly defined goals in the most efficient way possible. A significant finding is that schools may subsequently fall into an 'evaluatory trap' (Olson et al 2001) where a focus on student outcomes becomes subsumed by the domineering pursuit of cost reduction and efficiency. Thus it can be argued reflexively that the significance of accounting reforms is potentially outweighed by the alteration of embedded lines of authority, coupled with changes in the nature of accountability.

In *Chapter Seven* (the current chapter), initially a brief attempt is made to put forward reflexive arguments on the ramifications and influences of NPM as has been adopted by the NSW education sector. Other areas of future research are also delineated and include an outline of a holistic framework for performance measurement at NSW public schools. This researcher acknowledges, reflexively, that such a holistic model may be of great value to schools.

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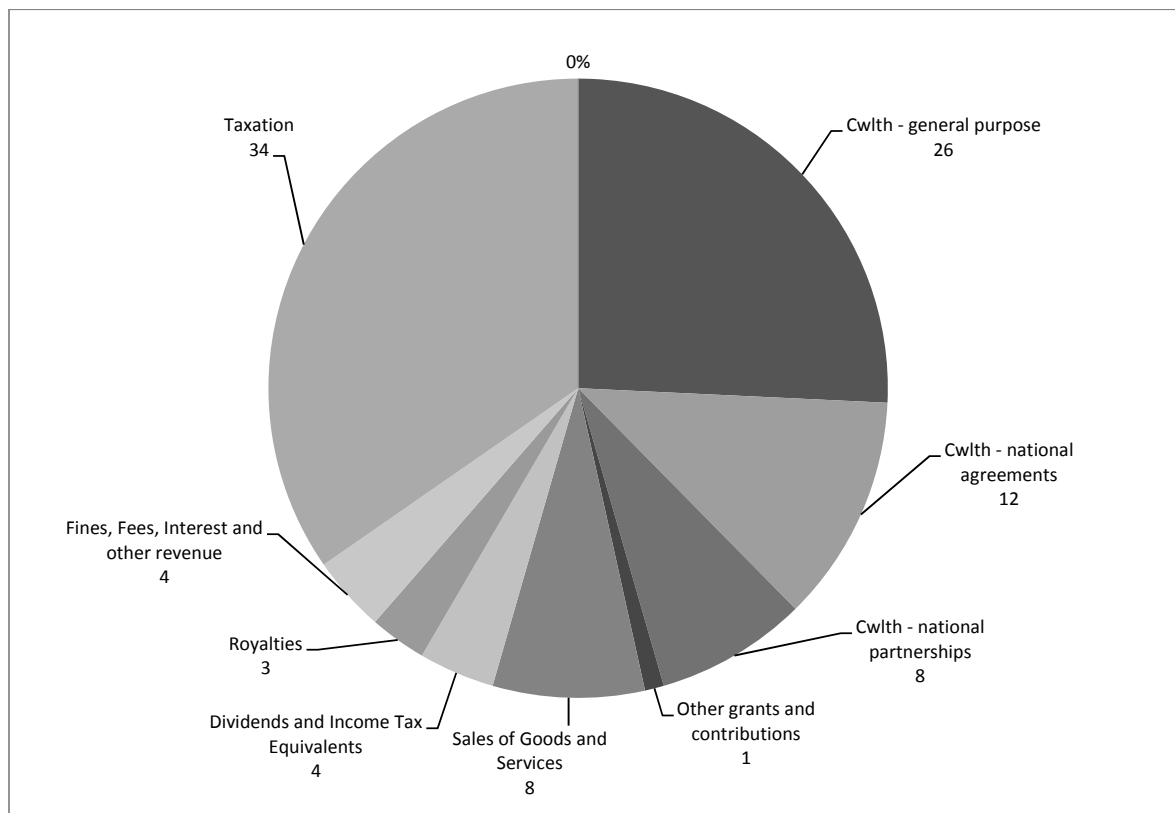
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## Appendix 2A: NSW Budgeted Revenues, 2011-12 and 2012-13

The 2011-12 NSW budget for revenues estimated that NSW would receive \$59 billion. Although states are restricted in their ability to impose taxes such as personal and company income tax and the collection of GST, their residual power ensures that taxes make up the second largest component of the states' annual revenue. In NSW this figure was 35% of total state revenue for the year 2011-2012. Revised figures for the year 2011-12 indicate that the NSW government received a total of \$20.5 billion in taxes making it the highest figure compared with other states. This figure represents just over 35% of total state and territory taxes nationwide and is incommensurate with the population statistics which show that NSW makes up 32.4% of Australia's population (Australian Demographic Statistics 2010).



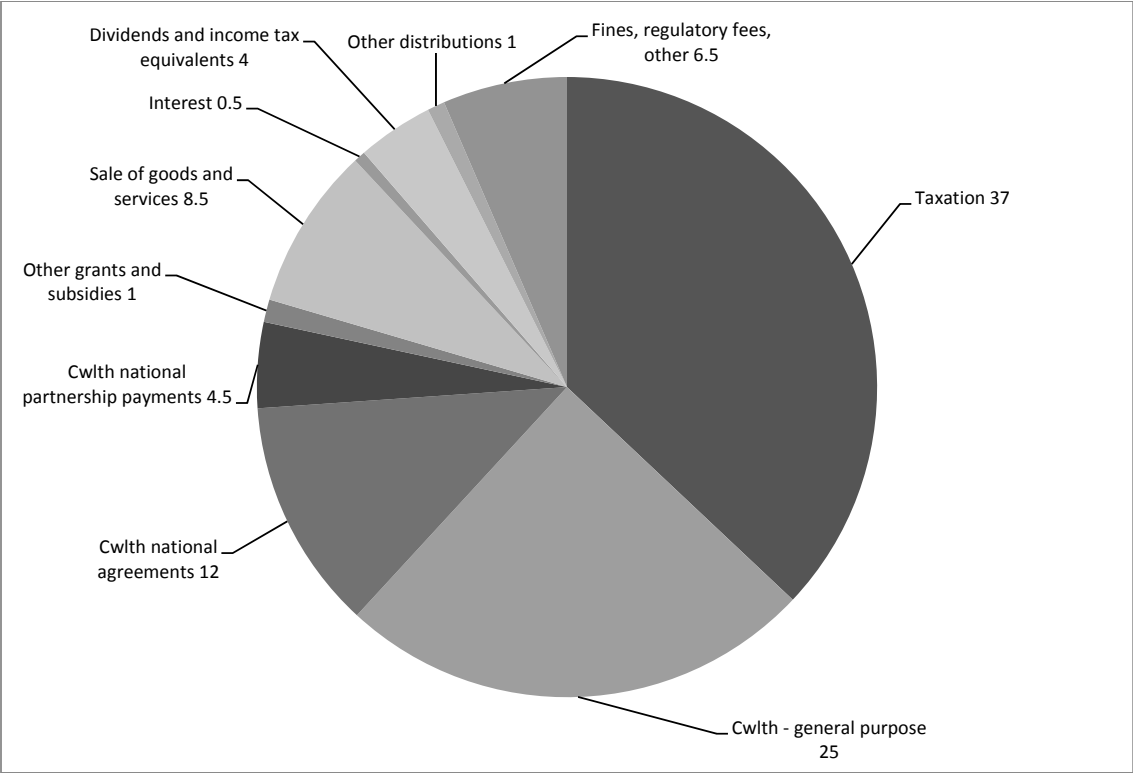
**Figure A.2.2: Total Revenue, NSW, 2011-12 (percentage)**

The difference is attributed to higher rates of transfer duties and land taxes in NSW. Commonwealth grants provide the bulk of state revenue comprising 45% of total revenues. Sales of goods and services revenue make up 8% and are generated by government agencies in their normal business activities and via the use of government assets and infrastructure. Included in this category are revenue from the renting of state-owned property, entry fees for national parks, museums, etc and tolls on roads. Figure A.2.1 shows the composition of total revenue for NSW including a disaggregation of Commonwealth grants.

The 2012-13 NSW budget for revenues is again set against the backdrop of an unpredictable global economy which the state of NSW is not immune to. Deteriorating market performance and consumer confidence resulting from political uncertainty in Europe have led to a slump in retail conditions. Reductions in consumption have led to a decline in GST payments from the federal government – an estimated \$5.2 billion reduction over the next four years. In 2011-12 the federal government also brought forward a \$690 million infrastructure payment to NSW. While beneficial in the interim, NSW is set to lose this revenue over the coming period. In the 2012-13 Budget Speech, Hon. Bruce Baird MP claimed this was an exercise in political manoeuvring on the part of the federal government and not a case of transparent reporting (NSW Legislative Assembly 2012, p4). Reductions in Commonwealth grants have forced the NSW government to reassess its position with regard to taxation policy. Previously promised abolitions of mortgage duties on business transactions and other duties have been postponed and taxation policy remains constant. Traffic penalties and other fines have also been increased to offset the decline in GST revenue. Other sources of revenue continue to increase with the exception of interest revenue which declined due to official cuts to interest rates.

NSW budgeted for the receipt of \$59.7 billion in revenue in 2012-13. This represents an increase of just less than 1% over the revised 2011-12 total of \$58.4 billion. This figure is set

to increase constantly over the next 3 years. Figure A.2.2 shows the composition of total revenue for NSW in 2012-13 including a disaggregation of Commonwealth grants.

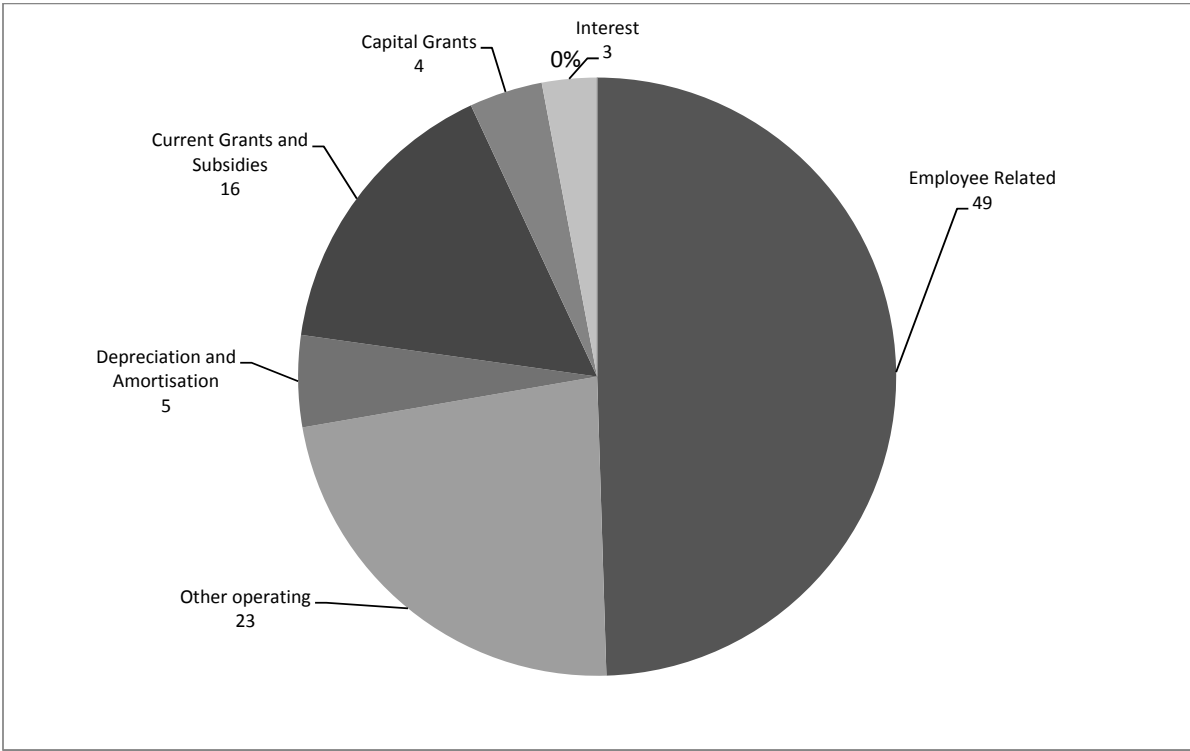


**Figure A.2.2: Total Revenue, NSW, 2012-13 (percentage)**

## **Appendix 2B: NSW Budgeted Expenses, 2011-12 and 2012-13**

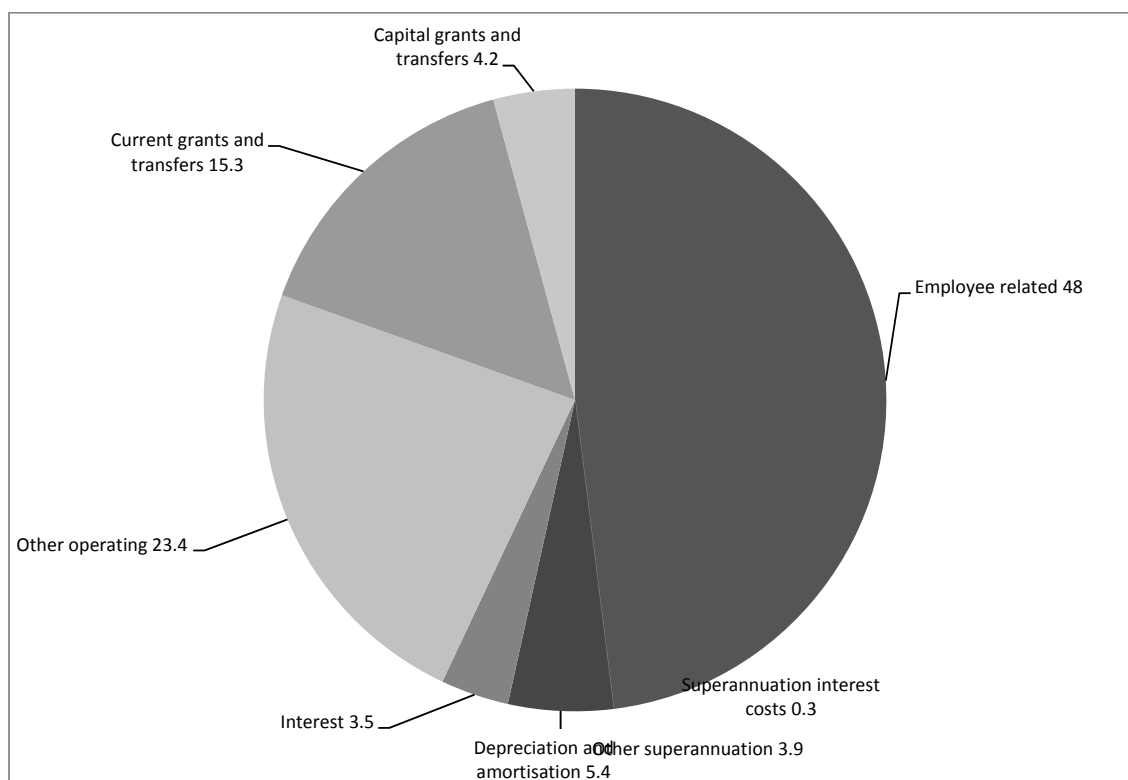
Figure A.2.3 summarises budgeted expenditures of the NSW government for the year 2011-12. The most important aspect of this graph is that it displays the labour intensive nature of services in the public sector. Half the budgeted expenditure for the 2011-12 year was devoted to salaries and wages of full time equivalent frontline service providers involved in areas such as health, education, welfare and public safety. Also included in this portion of expenditure are salaries and wages of contracted administrative and non-essential staff such as librarians

and maintenance staff at public schools. Annual leave, long service leave costs and superannuation are also significant components of employee related expenses.



**Figure A.2.3: Total Expenses, NSW, 2011-12 (percentage)**

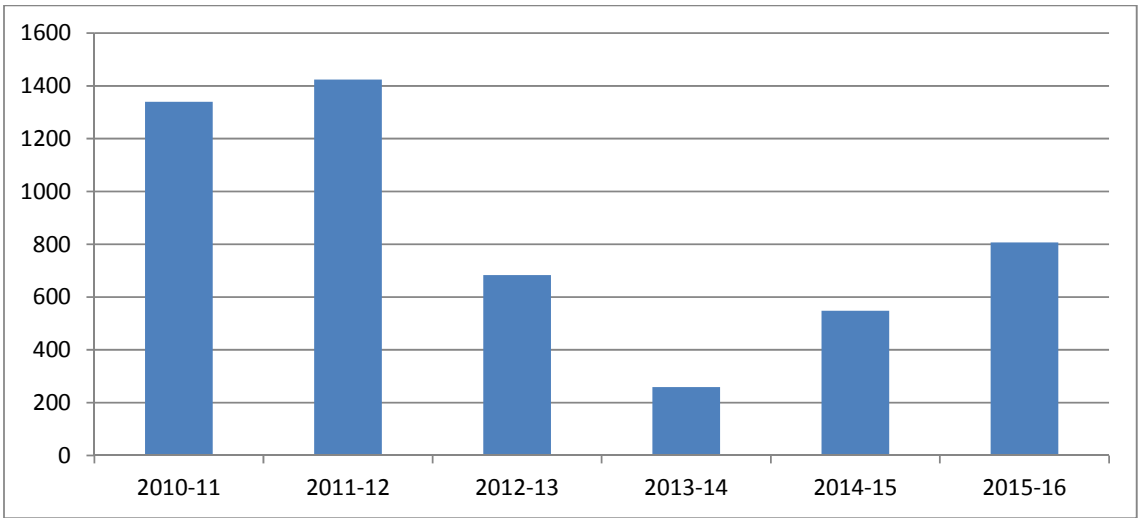
The 2012-13 NSW budget for expenses reflects a government committed to fiscal restraint and continued reformation. Cuts to expenditure have been made in the context of a worsening global economy. The states of Queensland and South Australia lost their triple A rating last year and the rationale behind such restrictions in NSW is no doubt one that is responsive to this possibility. This is reflected in the words of hon. Bruce Baird MP who claimed that “we must take our medicine today if we’re to be healthy tomorrow” (NSW Legislative Assembly 2012, p5). Figure A.2.4 shows the composition of total expenditure for NSW in 2012-13.



**Figure A.2.4: Total Expenses, NSW, 2012-13 (percentage)**

The composition of the 2012-13 budget for expenditures remains fairly consistent. One important aspect is noted however. There is a sharp decrease in employee related expenses growth and forward estimates for this figure illustrate this government's desire to keep this figure within fiscally responsible limits and below that of the previous government. To this end, the government announced a 1.2% per annum reduction in labour costs growth for the entire public sector. The GGS will carry the bulk of this burden in 2012-13 with only a slight relaxation of this policy up to 2016. In order to limit expenses growth, the government has introduced a labour expense cap of 2.5% in the GGS, continued with its 2011-12 plan of voluntary redundancies which is expected to achieve 5,000 job cuts and given flexibility to its Department Heads to achieve cost savings whilst meeting any service requirements of its agencies. Annual leave balances are also set to be reduced and brought into line with the

private sector. Figure A.2.5 illustrates the government’s commitment to reductions in employee expenses growth.



**Figure A.2.5: Employee Expenses Growth (\$m)**

	2009-10 Actual \$m	2010-11 Actual \$m	2011-12 Revised \$m	2012-13 Budget \$m	2013-14 Estimate \$m	2014-15 Estimate \$m	2015-16 Estimate \$m
<b>Revenue from Transactions</b>							
Taxation	19,129	20,395	20,659	22,111	23,273	24,753	26,298
Grants and Subsidies							
Commonwealth - general purpose	13,419	13,900	14,289	14,826	15,715	16,429	17,053
Commonwealth - national agreements	6,555	6,860	6,797	7,203	7,488	8,064	8,697
Commonwealth - national partnership payments	6,345	4,215	4,810	2,667	2,781	2,117	1,888
Other grants and subsidies	671	642	564	698	912	885	938
Sale of goods and services	4,321	4,658	4,832	5,066	5,221	5,425	5,650
Interest	319	468	556	367	366	360	359
Dividend and income tax equivalent income from other sectors	2,048	1,942	2,115	2,367	2,300	2,047	2,164
Other dividends and distributions	285	430	387	546	449	477	505
Fines, regulatory fees and other	3,236	3,594	3,444	3,876	4,131	4,361	4,524
<b>Total revenue from transactions</b>	<b><u>56,328</u></b>	<b><u>57,144</u></b>	<b><u>58,452</u></b>	<b><u>59,727</u></b>	<b><u>62,636</u></b>	<b><u>64,916</u></b>	<b><u>68,074</u></b>
<b>Expenses from Transactions</b>							
Employee	23,094	24,434	25,858	26,541	26,800	27,348	28,155
Superannuation							
Superannuation interest cost	951	835	882	201	505	690	750
Other superannuation	2,122	2,210	2,272	2,346	2,354	2,411	2,561
Depreciation and amortisation	2,777	2,818	3,060	3,294	3,530	3,692	3,906
Interest	1,653	1,826	2,059	2,147	2,401	2,608	2,681
Other property	1	1	1	1	1	1	1
Other operating	11,543	12,281	13,237	14,197	14,803	14,913	15,595
Grants and Transfers							
Current grants and transfers	7,988	8,905	9,194	9,264	8,654	9,242	9,976
Capital grants and transfers	5,211	2,494	2,224	2,561	3,299	3,449	3,276
<b>Total Expenses from transactions</b>	<b><u>55,340</u></b>	<b><u>55,804</u></b>	<b><u>58,788</u></b>	<b><u>60,552</u></b>	<b><u>62,347</u></b>	<b><u>64,353</u></b>	<b><u>66,902</u></b>
<b>BUDGET RESULT - SURPLUS/(DEFICIT)</b>	<b><u>988</u></b>	<b><u>1,340</u></b>	<b><u>-337</u></b>	<b><u>-824</u></b>	<b><u>289</u></b>	<b><u>562</u></b>	<b><u>1,172</u></b>

## Appendix 2C: NSW Budget, 2012-13, GGS Operating Statement

## Appendix 5A: SERAP Documents



### **Participant information Sheet**

Research project: "Financial Management in the NSW Public Sector"

You are invited to take part in a study that is being conducted by Jonathan Halloran. It is part of the degree, Masters of Accountancy – Research, being supervised by Dr Sudhir Lodh and Mr Graham Bowrey (School of Accounting and Finance).

We are trying to discover whether accounting based reforms that are being introduced in public schools have impacted positively on the delivery of government services.

Information from this study will add a pragmatic element to the ongoing conceptual debate that exists regarding the applicability of accounting technologies to the public sector. Results will be reported in the form of a thesis as well as a 2-3 page précis submitted to participating schools, participants and government departments.

I will be conducting interviews with consenting staff members and this should take about one hour. Relevant questions may include (but are not limited to):

- What is your knowledge/experience of accrual accounting and cash accounting? How do the reforms affect your day-to-day operations?
- In your opinion, has the accrual based system impacted on the achievement of the school's goals as set out in the School Plan?

Participation in this research project is voluntary and will not affect your role as a staff member at the selected school.

Your confidentiality will be maintained at all times (permission will be sought if otherwise). Interviews are to be conducted individually. Only the researcher will have access to data obtained during this study. Data will be kept under lock and key at the University of Wollongong. Audio recordings are preferable and interviews will be maintained as part of this study for a period of 1 year then destroyed upon completion. Transcripts of these interviews may be published in part or wholly as an element of the thesis. Analysis of the interviews will be combined with data extracted from archival sources to develop a coherent argument regarding the topic.

If you have any concerns or issues about the conduct of this study, please contact the Ethics Office on Email: [rso-ethics@uow.edu.au](mailto:rso-ethics@uow.edu.au) Phone: 0242213386

When you have read this information Jonathan Halloran will be available to answer any questions you may have.

Jonathan Halloran  
University of Wollongong, School of Accounting and Finance

Email: [jhallora@uow.edu.au](mailto:jhallora@uow.edu.au)

Phone: 0404120528

### **Consent form**

Research project: "Financial management in the NSW public sector"

I (*print name*).....  
Consent to participation in the research project described in the attached information sheet.

TITLE OF THE PROJECT: Financial Management in the NSW Public Sector  
RESEARCHER: Jonathan Halloran, 0404120528, jlh21@uowmail.edu.au

In giving my consent I acknowledge that:

1. The procedures required for the project and the time involved have been explained to me and any questions I have about the project have been answered to my satisfaction
2. I have read the Participant Information Sheet and have been given the opportunity to discuss the information and my involvement in the project with the researchers
3. I understand that that my participation in this project is voluntary; a decision not to participate will in no way affect my relationship with the school and I am free to withdraw from participating at any time.
4. I understand that my involvement is strictly confidential and that no information about will be used in any way that reveals my identity. (*Interviews are to be conducted individually*).
6. I understand that audio recordings will be made as part of the study. These recordings will take place during:  
Activity A to be conducted at specified location, date and time

**Signed**.....

**Name**.....

**Date**.....

Complaints, concerns or issues about this research are to be directed to Rob Stevens (State Education Research Approvals Process, part of the Department of Education and Training) Phone: 02 92445619 or 02 92668517 or to the Ethics Office at the University of Wollongong Email: [rso-ethics@uow.edu.au](mailto:rso-ethics@uow.edu.au) Phone: 0242213386

**Permission Letter**

**Research Project: "Financial Management in the NSW Public Sector"**

22/5/2012

XXX (Principal's name)

XXX (School name)

XXX (School address)

XXX (School address. All names concealed to maintain anonymity)

Dear XXX (Principal's name),

I am seeking permission to include your school in this research project.

This research is designed to explore the use of accrual accounting in the public sector. In so doing, strengths and weaknesses of current financial management practices will be investigated and depicted in their relevant contexts. The aim of this research is to provide schools and the wider academic community with a greater understanding of the accrual based system that facilitates financial management practices in the public sector. Based on an analysis of the data obtained from field research, convincing arguments will be presented that indicate whether recent reforms have impacted on efficiency and effectiveness of the schooling system and, more broadly, the NSW public sector.

To complete this research I will require time to interview the most suitable staff, including you, in relation to accrual accounting practices.

Please note that the time taken to conduct interviews will not exceed one and a half hours unless a follow up is worthwhile, sought and consented to.

Also note that confidentiality of information obtained during the research is assured.

Relevant questions may include (but are not limited to):

- What is your knowledge/experience of accrual accounting and cash accounting?
- Do you perceive tangible benefits arising from recent government reforms?
- What changes did you witness as a result of these reforms?

This research project is a practical requirement to complete a Higher Degree by Research (HDR) at the School of Accounting and Finance (SAF) at the University of Wollongong (UOW). The report of the research will be sent to you for feedback and acknowledgement prior to subsequent publication of the work.

Thank you for your acceptance and cooperation in this research project.

Yours sincerely,

Jonathan Halloran

University of Wollongong, School of Accounting and Finance

e-mail: [jlh21@uowmail.edu.au](mailto:jlh21@uowmail.edu.au)

Phone: 0404120528

## **Appendix 5B: Transcription from the Second Interview, 25/5/2012 (Censored)**

(Introduction is not recorded until verbal consent is gained from both participants)

A: They're in a difficult situation because they haven't really had all the training yet so they don't know exactly how it is going to operate. They know they have a big grant of money to put their hand up but they don't really know what's going on yet.

M: So those schools that choose to participate in the LMBR project – will they get more funding?

A: Only the first phase. They have to work everything out.

M: So LMBR is very new... and what about Gonski?

A: Extremely new. LMBR is the core of what you are investigating. LMBR is changing the landscape s we discussed the first time, it's changing the landscape of how schools will function. And it's almost antithetical to the broader concept of Local Schools Local Decisions (LSLD) because LSLD philosophically is designed to hand over more authority to principals to make local decisions whereas LMBR with the finance component SAP is designed to... sort of centralise and... to move to what you refer to as accrual accounting.... but to take away bank accounts, for example, from schools and replace that with a centralised single bank account. We can tell you some about how that will work but you should first get your head around how we function at the moment... Gonski may not affect us too much since we are in a middle class suburb and it focuses more on lower socio-economic schools. It is likely that we will receive a little more funding though.

M: I've jumped ahead to Gonski and LMBR because it is topical but this was at the end of the list of what I wanted to talk about! Now, because I am fairly new to this approach and aspect of my research (this is the second interview I've done), and I realise that what we learn at university can be vastly different to how things operate in the real world (laughter and agreement from all participants). So I will let you guys talk (let me know about how your school functions day to day)

A: I'll start. We work really well together. The principal and the SAM have to work well together because while the principal makes strategic decisions, the Sam has to execute them,

has to be the executive officer. So we follow an annual cycle which is designed to match up the schools priorities to where we put our money. So first of all, schools operate on a different annual cycle. Our financial year starts on the 1<sup>st</sup> December which means we pretty much have to have a budget in place and money allocated to spending from the 1<sup>st</sup> Dec. And it means we have to stop spending, except for urgent matters, around 2-3 weeks before that, and then we go through a 2 day process called 'rollover' where we roll over our money forward into the next year's account. So if we stick with that cycle, at the beginning of 4<sup>th</sup> term (starts October), I talk to my head teachers and I determine what their priorities are and they submit to me plans for what their faculties are going to do. Then with those plans, which are in one column, then there are requests for money in the other column which goes beside it. So... if there's a new syllabus coming out in year 9 maths and we need to buy new textbooks, which are high expense items, then our finance committee gets together and we create from that a budget. I will show you an example of our budget....etc. What you must keep in mind, and people at schools don't understand this until we explain it to them, budgets are in 2 complete part... there is a complete income budget where we put it all together and we predict early in Nov what the total bundle of income we're going to get is. Now keep in mind that at the moment that this does not include salaries. Salaries sit outside that. So this is our budget for 2012. So this is our retained earnings, and we have to predict that. Now, you could make a budget on 1<sup>st</sup> Dec which would tell you exactly what your retained earnings would be because that's rollover day. But because we have to be ready to start spending on 1<sup>st</sup> Dec the finance committee sits in this office 2 days back at the beginning of November. So at that point we can make some predictions but there are still bills rolling in. So our total income comes from our retained earnings, our Global Grant, which is what the government gives us (in 2008 it was \$XXX, 2010 it was \$XXX and so on...). And we predicted it would be \$XXX this year. Now, uhhh... because schools, education is GST free, we have to pay GST and then we get it back so we have another section called GST recoups.... when we match that against our expenditure budget that is exactly the same as GST paid. So our income comes from R>E>, GST recoups Global Grant, elective fees and then learning material fees which are technically different from elective fees, basically they are what parents pay.

M: learning materials implies books....

A: It is a fancy name for voluntary school fees. Elective fees, if a student is in year 9 and chooses woodwork as an elective, he walks out with a little wooden box... i am using an example.

M: Sure...

A: He had to use wood and he's taking it home. So he's paying an elective fee to buy the material to buy the material and the reason we separate that from voluntary school fees is because from a legal point of view it is more enforceable. Technically because we are free public education, what we call voluntary school fees, parents don't have to pay. Now, because we are a fairly middle class community parents generally pay them and we keep them low. What are they, 130 per year? They are not obliged but we get, roughly speaking from elective fees, around 35-36 thousand. From our leaning material fees, which is our voluntary fees we get about 46 thousand. So as you can see, the two account for about 90 thousand which is a pretty substantial lump of hat we get.

Then the next item is interest which has come down from 30 to around 20 thousand, but it is still a pretty big sum.

Then you get down to minor stuff like donations and commissions which we get from school photos, we sell calculators to students, things like that.

The sum total of that is XXX for 2012. That was our predicted income. When we do the budget, that's what we predict we are going to have, we then spend the more important time predicting where we are going to spend it. And in the end the 2 of them have to match. It would be silly spending 800000 when you only budgeted for 700000 (Laughing).

Our expenditure, we divide into different areas....

(pause)

Now keep a couple things in mind before getting into expenditure. There are 3 kinds of money that we hold. I am only talking about what we would call Global Expenditure that we have discretionary control over. On top of that, when XXX shows you the chart of accounts, we have 2 other kinds of money. One of them is tied grants and that's where the government will give us...they'll say... we've got a special program within the community to repair sports facilities and we're going to give you 50000 to fix up your back oval. Now that we call a tied grant. There's no point putting it in a budget because I can't buy textbooks out of it. And the other 1 is trusts. We hold money in trust for excursions... year advisors who are fund raising to have a school formal, we hold on trust for the regional office that doesn't have its own bank account so we hold money for them. We hold money for various community sources.

What I am talking about in our budget is basically the large amount which is the Global Amount. So we dived that into sections. First of all are our curriculum faculties. Each faculty puts in a request and in our records we show what is allocated. (Shows a list by faculty e.g. maths, history, PDHPE) (sounds of pen squealing as the principal circles the examples). That all accumulates to the sub total down here....Then we have things called program budgets. These are things which aren't faculties but they are important things student welfare for example, Millennium is our master platform... public speaking runs through English but it isn't necessarily an English faculty – there are fees associated when we enter competitions etc.

M: Millennium is not for the financial management side is it? It is for keeping track of students, right?

A: Right, it's for timetabling, reporting

B: Student absences

A: It links with EARN-OASIS. Do you know Oasis at all?

M: Very limited knowledge of Oasis.

(Pause)

A: Is that still you XXX? (laughter)...

A: OASIS was the original admin.... EARN was added later and is the way that the Department tracks student enrolments. Under OASIS there was no way of tracking kids from one school to the other. Now as soon as you enrol in a public school you get an EARN number and the department has the capacity to track students wherever they go...

B: Right through to Uni...

A: So EARN sits side by side with OASIS. It's our master enrolment... and it feeds into third party software called Millennium and it syncs with Millennium so that if we enrol a kid, the kid comes with an EANR number and tells us then, the we have to track him enrolments, if he get suspended etc... that all gets done through Millennium. Not much to do with finance except that it's a third party software that we have to pay money for...

A: So... expenditure.... you've got your faculties, programs,... and then you've got.... (sidetrack) that's commitments those are your commitments left over from the previous year. Even though we've rolled all of our income forward we may still have commitments like, say a kid goes on an excursion on DEC 15... well the teacher started collecting money for it on Nov 15, so you've got to roll that money forward, you can't just take the kids' money from them. It's like a form of accrual... but it's a relatively small amount (15000), keeping in mind that total budget is XXX

A: Then of course is your key administrative – these include your utilities, your building, your public property issues, buying paper, bank charges etc.

M: Utilities is probably your biggest one?

A: Yes very big

B: And getting bigger

A: XXX out of XXX (figures represent about 20% of the school's budget). There's a story in itself in that – but we'll stick with the basics for now.

A: So you can see the various ways we allocate dollars... there's things like

- building maintenance, a high ticket item,
- ground maintenance. - motor fuel, every 3<sup>rd</sup> or 4<sup>th</sup> year you've gotta buy a new mower... fertiliser etc
- equipment replacement - blenders, band saws break down...
- GST paid = GST recoups.
- Capital equipment – you must have a budget in for buying major things like photocopiers. Furniture has a separate distinction. Building refurbishment. In some years you have to replace a photocopier. This is a massive item. Out of XXX some years you can spend 20000 on a new photocopier.
- And then you have to maintain of course some kind of contingency.

M: Contingency won't take account of things like photocopier replacement, so in those years where you do have to replace it, it will appear on a new line?

A: Yes, contingency is just a very small amount. Schools have always (I have worked for 15 years) we always set aside a chunk of contingency which we invest in term deposits.

Generally I like to have that at around 10% of my budget. Ideally you would have 60-70000 dollars. And metaphorically speaking, that's your safety net if something happens,. If your hands slip and fall off the high wire! And that's how you sleep at night because you know you're not going to go broke! (laughs). And I have been told anecdotally that at any given time of the year there are half a dozen principals that are in serious financial difficulty. That info is 10 years old but I imagine it is generally the case. You term deposits allow you to be ready. We've got two \$XXX term deposits, Or you can sub divide them... at some points we have a XXX, a XXX, and so on....

Anyway... when you add all of these things up it should equal that and that's how you do your budget initially. Of course, you don't get your predictions exactly right. What has made it more difficult recently is... the biggest lump sum you get is your Global Allocation. Until recently you used to get that on a sheet of paper called "Schedule A" and that did indicate how much money they were giving you for utilities, bank charges – a lump sum.

M: Would it go line by line?

A: Not as detailed as the budget but we can show you.

(XXX goes to fetch Schedule A)

A: And that would come in November. Now the problem is, recently that been coming around March or Feb.

M: But... how do you prepare a December plan without any info about your income? That sounds like a problem.

A: Indeed, because now you are making predictions that aren't nearly as accurate as you could make if you had an accurate amount of money that you could see sitting there. Another complication is that, after your retained earnings and your Global, 3<sup>rd</sup> biggest income source is fees. Traditionally, we invoice for fees around the end of the 1<sup>st</sup> term, but traditionally, parents being human beings, don't pay their fees til the end of the year where we have days where we sign kids out and chase them for their fees. And that of course happens after Dec 1. So your fees for 2012 are actually being paid after 2012 has come and gone. So you then have to look back and say, well historically speaking what did we get, what proportion have actually got in the bank, because some parents do pay their fees, and historically speaking,

how much can we expect to get in Dec... and you add those up and that then becomes your predicted...

M: So you do take that into account?

A: Yes, but they can't be exact

M: So do you use a historical percentage?

A: Yes, and that's why you see, when I do my budget papers, and the auditors consider this to be, what we've been told, is good practice, I carry the columns over so the finance committee can see – there's 2008 predicted, that's what we actually got, that's 2009, predicted, that's what we actually got...

(XXX re-enters)

A: I was just explaining the difficulty in predicting fees when most are paid after rollover.

B: There's also things like, you predict that bank interest is going to be X, and then they drop it. So you don't get the same in the following year.

A: So the complication is that you can't actually build a budget based on what is physically in your bank account at the time you build your budget. And the reason is fairly obvious – because, in your bank account – let's say you've got 300000 in the bank at end of year... of that 300000, 50000 might be in trust, so you can't count that, so you're down to 250000.... 100000 might be in tied grants so you can't count that, so you're down to 150000... But you've got orders out there, you've got checks that are unpaid... and you've got people who have worked and you haven't paid the department for those casuals that have worked in November or even October because you haven't invoiced for them yet. So your 300000....and this is why the media distorts the real picture of school finance – because the media, all they have access to are the cold hard data...so they'll say "oh XXX High has 500000 in their bank account"

M: "Ooo they are rich!"

A: "They're rich!" But as I just explained, that isn't the case because you have commitments that you have to make

A: This btw is what we call Schedule A. This is how they tell us what we are going to get. Based on a formula on the number of students and staff. This is your general operations grant...this is what they give for short term relief... for special factors....and this is what they predict what your utilities will be...

M: How do you define what is a special factor?

(Laughter)

A: Back in the old days when you were dealing with cash, at the end of the day you had bags of cash... you had to get it to a bank. Now we're not trained security guards...

B: Guess who took it?!?!

(Laughter)

A: At XXX (name of another school) they would get the biggest guys and you would physically carry it. Now they have introduced a school security banking collection but that gets charged to each school. Because they introduced that they do actually give you a particular amount to spend on that.

A: The urgent minor maintenance is part of the maintenance contract and they give you a lump sum of money to cover, and it appears in expenditure under our maintenance budget... they predict – if you have a door that doesn't work, under the maintenance contract it can be fixed, but you must wait til they come out to fix it. If you've got a water leak and you need it fixed it is urgent and you must pay extra for that. That's where urgent minor maintenance comes in. And it is part of your Global Grant. Another Historical estimate... then add it all up and that's what you put in your income prediction

A: Schedule B is given too. Tied grant (special purpose). Student assistance. These depend on the nature of your school. When I was at a socio-economically disadvantaged school, my student assistance was around 18000. Because we are a relatively well-off school we get XXX – it doesn't stretch very far. Professional learning is per capita and depends on how many teachers u have etc...

A: So that's basically how things work. Most simple. The next step of course is that when we do this... just because you tell people how much money we have.... the only person truly delegated to spend money is the principal. So I have to delegate money outward. So I give

them, in practice, a letter that says “as a result of the deliberation of the finance committee, you are allocated 7000 out of section 4-2-1 to spend”... then it’s over to SAM as executive officer to ensure that that’s all they spend. If they go to spend 9000 and the SAMs aren’t keeping up with it, you find that Math had a 7000 budget but they ordered 9000 of stuff, then that 2000 has to come from somewhere.

M: Is that common?

A: Not for us! (Laughter) But people try it!

B: they’ll give it a go, but they must get past the fox-terrier!

A: That’s the strategic stuff in a nutshell. Then u get into the monitoring and execution and that’s when u get into income performance reports and expenditure performance reports and I am going to stop talking now ... that’s the part where I’ve made the decisions, in conjunction with the finance committee... so who is the finance committee? Me, XXX (name of the SAM), one deputy, they alternate, one senior teacher and one parent chosen by the parent group (the PNC). The head teacher alternates. It used to be the same every year but that’s not a transparent way of doing it because, while they (other head teachers) are well informed about how the process works, the current committee member is open to accusations of: ‘Look! The industrial arts faculty gets more funding than mine!

B: It’s also not teaching the teachers anything

A: yes it’s best you know how it works and why they aren’t getting the amount of money that they think they are getting

A: The reality is, in a school like this, when all is said and done, we can barely survive. However, under LSLD there may be a significant increase in discretionary money to keep the programs moving forward. For example, for our educational programs, interactive whiteboards cost about 3,000 each. I would love to put those in a budget! Hopefully LSLD will allow that... We usually have about 25 – 30000 discretionary money to keep the programs moving forward. Some years we’ll buy a photocopier. Some years we’ll update the....it costs about 8000 to buy a new master server for the network...so that’s a big commitment. And you have to do that about every 3 or 4 years.

M: What are ‘interactive whiteboards’?

A: A new piece of tech...

B: Like a big IPAD

A: Yeah.... kid can write a sentence and it will turn it into print. Put circles around it and move it around. You can send it off to print...most primary schools have more than us

B: Kindergartens are full of them

M: Well I am at uni, I have never even heard of them!!

A: Well UOW is....I helped Ian Brown set up his 1<sup>st</sup>. They are getting them slowly.

B: But they are expensive to set up

A: Mount them. Set up the speakers etc. You can conduct a whole lesson on the board... tap a youtube link....volcanos for example... start to write an essay... etc etc

M: Sounds pretty amazing!

A: That's a different PhD!

(Laughter)

A: Ok,

B: So from that point on it comes over to me. So as we receive funds we get...like Schedule A comes in. XXX and I get very excited when we see it on paper coz then we know what we've got. From there the money starts to come into our bank accounts. The accounts are kept separate from the Oasis system so it's my job to take funds that are actually in the bank account and put them into the Oasis system. So if I do it incorrectly, we could get to the EoY and not have the right amount of money there as we should.

M: Is SAP being introduced to fix....

B: That's the idea. It is supposed to have it so it all reads in one, but the bank account that we have may be holding at this stage we might not have. We may have a big bucket of money in another totally different area, we're not sure....

A: SAP theoretically is to make it more efficient, but it also will provide real time data to the department about where everybody is all the time, because at the moment they've got to

count on audits and on us and on scanning ...they'll be able to look with SAP, since we won't have any money *per se*, we'll only have notional allocations, they'll be able to know at any given time what we are spending our money on and how much we have left.

M: You'll see at any given time... on a cash basis? We can come back to this later...

B: How does OASIS work... it's the old DOS system. No mouse. So for me to do a bank rec it is step by step. D1.. E3 Print..blah blah blah... then go back in and do a different thing ...It sounds archaic, it sounds like a dinosaur, but it is very foolproof. It is a brilliant little system. I only wish someone was able to add modern tech to it and keep it coz it does a brilliant job. If someone does a banking at the front counter and misses 50cents it gets picked up in my bank rec like that (snaps fingers). It's not something you can get away with. Or if they write a cheque and the check has 30 cents on the end of it and they make 80 cents instead it gets picked up very quickly on the OASIS system. So as old as it is....it does work

A: It is pre-windows!

M: And it has its own language?

A: Are you old enough to remember DOS?

M: Unfortunately yes.

(laughter)

B: So in saying that, when I put everything on the income side of the OASIS system, it doesn't read the expenditure side...

M: (puzzlement)

B: ... Because of the old DOS system.... so we have what we call the chart of accounts. There's one for the income and one for the expenditure, and it's my job a SAM, when we get money in, to go through and update the budget and the debits on the expenditure side and as money goes out I also update the budgets on the debit side...it is a manual thing, it's not done automatically. The only 2 things done automatically are the tied funds and the trust funds. That's why, with all the technology we've had since OASIS came in I don't understand why they haven't connected the Global Budget the same way coz it would make life a lot easier... and maybe SAMs or principals who don't have a good understanding of how it works, that's how they get mixed up. Big problems.

So... XXX will say to me, here are the budget figures...this is what we've allocated to the different faculties... I then go in to my expenditure side in the OASIS system and I put the exact budget figure in that the finance committee has signed off that the faculties can get... all the beginning of this report is all about the faculties... and as they start spending money it starts to show up in payment in the different subsections. As long as the original budget allocation doesn't change on this side, it shows them exactly what they've got left on the other side. So if a head teacher comes to me and it shows 5000 left and they want to spend 9000 I'll go 'no you can't do that thank you very much!'

M: (Laughter) The 'fox terrier' in action!

B: Yes... you need to go and see XXX about this one. And that's how we maintain the budget. As you can see there are quite a lot of sub-sections in there but everything that's in here is a reflection of that. Some of them are tied in trust which, they keep rolling over with whatever their remaining balance is at the end of each year until it's all gone or until we get a new income into that and then I update it... that's fine... but for the Global side of things, it's a really hands on, you've really got to keep your head in the game and you've really got to know that, ok... we've got an order sitting there for 7000 for that head teacher so they can't possibly spend another 5000 over there...

M: Do you think that if SAP does come in, do you think that it will free up your time to allow you to do more?

B: I am not sure because we have no training.

A: theoretically it will...

M: But perhaps it could add MORE to your work... It sounds like you have this system working quite well. You've got it together!

B: Yep!

A: But not everybody does... because SAP is new there's a lot of reasons why we can look at it and be sceptical... having said that, what we're showing you is a fairly primitive way of running a big organisation... because while it works for us and we continually pass audits, you're dealing with people who were never trained to do this... I have had 3 days of financial training and it taught me nothing whatsoever... I had 1 day from my previous principal who showed me some things.. and the rest of it... to me a lot of it is common sense... and for every

XXX who knows exactly what they're doing, there's probably another person...we know some of them locally because XXX had to train some of them... we know that they're floundering around in the dark... So SAP does offer a lot of opportunity to consolidate a lot of this... It's the transition that will be most problematic...and if we could feel absolutely confident that they were going to increase our Global Grant (GG), for example, by the amount of interest... then we would feel more relaxed about it.

B: So what XXX means by there... if we lose our bank account, we don't have our interest income, it will all go into one big bucket and we may never see that again, but no one has told us that definitely...

A: Well they've told us we're not getting interest (inaudible)....

B: And the same as the GST recoup, because it won't be coming out of our school so we won't get it back.

A: Now if you are a poor impoverished state of NSW, then your liberal government has inherited a pretty poor state, you look at all those school bank accounts and you say "Whoa!! I know where I am getting some money!"

(Phone ringing)

A: But they need to understand that those bank accounts... politicians don't necessarily understand that what's real!

(A answers phone)

B: The other downside of the OASIS/DOS system is we still hand write every check... there are no direct debit (DD) payments. We are not allowed to do that because I have to have 2 signatures on a check... it is not a single business company, if you know what I mean...so for me to do a payment on a DD it would be just be my approval of doing it so we're not allowed to. The department has actually stopped/blocked bank accounts that do DD. THEY can do a DD out of our account... the department can... to pay for casual salaries, things like that but we are not allowed to authorise DDs for local companies and things like that...

M: I'm not sure I understand that. It seems they are attempting to maintain lines of accountability but I'm not sure how DD doesn't allow you to do that.

B: Well if... A DD will be set up like your own personal account and you can pay whoever you want... electricity bills but out of your own account...you're the only authoriser.

M: Ahh ok

B: We have to have 2 signatures on a check... so here's an average week of checks...

(XXX shows an extensive list)

M: Wow... that's a lot of time...

B: Right, this is where a lot of time is spent ... well you process all the checks to start with on OASIS, then it's all got to be called off, then the checks have to be written out, then the bosses have to sign everything and then you can put them in the mail.

M: And something as small as 5-10 dollars! Every single time (observing the list).

B: So... this is an actual bank rec report. Here are checks still outstanding, but u know, you can just see by the dates there... that's one day of checks, so if you leave your checks for 2-3 days then you're looking at pages...

M: So something as small as \$5, what is that for?

B: Well maybe apparent needs a refund coz their kid didn't attend an excursion...

A: And then on your income side you've got a... kids that buy a math calculator broke... so they're walking up to the desk over there and paying \$16 to us for a maths calculator... so there's all sorts of weird things that... we do have certain suppliers, we have credit cards with Bunnings for example, we have local suppliers to get the food for our home ec class...but there are other times when... a teacher will have to have a tiny particular piece of equipment and maybe they will go and buy it and they will bring the receipt in .... say they're having a debate, we have a hospitality account, say they're having morning tea, so they go out and buy 2 bags of biscuits, orange juice and things, they bring that in....So we don't have a petty cash funds, (we have a very small amount of petty cash)... but you get it as a check, not as petty cash, to pay for the bottle orange juice...

B: (Hums in approval)

A: ...the milk and the biscuits you bought for it.

M: Are you happy with that system?

A: it's the way it's always been.

B: (inaudible)

A: The teachers aren't happy with it! They would like to bypass all of this and just get cash in hand.... Well in the older days it was a lot looser. I became a principal in 1998 and even by then they were tightening things up but... say there's a sports bus going out, teacher used to stand there and collect \$2 from the kids, carry the money in, give it to the thing and that's how we'd pay the bus company. Now teachers don't handle money at all. And that's logical.

B: And that's also not a great accountability thing for WHO has actually paid and who hasn't because they used to just stand there with a bucket and kids just throw the money as they got on the bus... so little Jonny might not have paid 4 weeks in a row and you really wouldn't know.

(laughter)

A: The more variables u can cut down in any given system, the more consistent and efficient your system is going to be... and that's what SAP is! SAP is basically (pause) ..... under the current management we have taken the teachers out of the loop, and the only people having to do with finance are people who know what finance is all about... so in any given school u may have a few signatories on the check for example but basically your SAM and your principal, and probably your second SAS lady, which is Marianna for us, understands it. My deputies, because they're on the finance committee have a vague understanding of it. So we've reduced the number of people who deal with finance to 3-4 in each school but then there's 400 high schools in the state, so what SAP does reduces that even more to the... well you know it's the McDonald's model...make it so simple, make it really easy, and... if it were schools like XXX it wouldn't really be so urgent, but they are trying to make a more efficient system... now we're only sceptical about SAP in the sense that, yes we'll have to live through the transition and therefore we've got a lot of new things to learn, and yes, we're worried about our interest and the secondary principals council, our representative groups and PPA who represent the SAP – they worry about what it means for jobs and things like that, but then again we're talking about the largest bureaucratic organisation in the southern hemisphere- the NSW Department of Education – the largest single bureaucracy in the southern hemisphere – trying to make it more efficient is not an ignoble gesture in itself.

M: especially when it's coming from the top – efficiency is trying to be enforced from above whereas, in my opinion what might work better is if you were able to make the decisions. Like LSLD emphasises... if you had the ability to apply your own system (but I know it's good to have a uniform system like SAP) but, if you had the discretion to make those decisions....

B: Like do the same thing with your own local bank account..

M: yes

A: Yes, but then you are introducing more variables. Introducing more people who don't necessarily have... in a private system you can have a bursar, you can have a financial controller, if you were a business you could have someone who would act as an intermediary between XXX and I who would say to me, "XXX, how do you want to spend the money to make this a better educational system?" And then they would translate that into a budget and then they would work with XXX...but Bursars cost money and the schools don't have it.

What also is happening under LSLD is they're introducing the massive step of giving salary budgets back to schools. That's a very controversial issue because even though 700,000 looks like a large amount of money, it's a tiny drop in the ocean compared to..... Let's say you've got 50 people in a school. Let's say, with on costs, they're average salary is 80,000; you're up to 4,000,000. That makes our running budget of 700,000 look pretty small. The way they've managed staffing so far is by saying "you're entitled to 54.7 teachers". However 54.7 teachers can be quite a diverse group because starting salary might be 50,000, top of the range might be 80,000, principal salary may be 140,000, and so instead of saying "you're entitled to 54.7 teachers", they will say "you're entitled 4.5million dollars". So theoretically if you want, um (pauses)...

M: 60teachers

A: 60 teachers... you can have it but you'll have to hire less experienced.... now what the unions are worried about is... what does that mean in terms of... given the permanent teachers have tenure, are you then going to be more inclined to say "why don't I hire some temporary people" instead of permanent people...

B: or not hire one person at all

A: we had this particular person from the uni who seemed like a pretty good prac teacher... she's just starting out so she's at the bottom of the scale... we could hire her and we could have more change out of our 4.5million and then maybe I could create another position, another head teacher position... that's how it will work in theory... we don't know. There may or may not be benefits to it....There could be reforms that principals would have appreciated without going to such extreme measures. For example, the politicians like tied grants because they can get plenty of kudos... when they give us \$50000 to fix the back oval, the politician that gave it to us wanted to come and hold the shovel to show that he was involved! And the community uses that field don't they... I mean there's a lot of sports groups that use that field, so it's nice to put in the local paper that...

B: (Laughter) "Exactly! Look what I did!"

A: But it's a tied grant... it doesn't help me buy maths textbooks or hire teachers. So there could be reforms like that... but LSLD is a quantum reform, this is a new paradigm.

B: Yep

A: Whether it will work or not, we don't know...

M: I like the use of the word "quantum" there.

B: Haha... it is

M: Because it is not just about the word quantum as in unusual? It is quantum as in "chingching" money as well?

A: All right...

B: I just wanted to show you how XXX was explaining that you've got to be very careful at rollover time, you've got to take care of every box that is ticked... So for argument's sake, if we were rolling over tomorrow, we've got over 16000 in outstanding checks because they're hand written checks, they're not DD that have come out of our account... until they hit our account they're classed as outstanding... So if XXX and I were working a budget and I forgot to tell him that, by the end of next year be 16000 overdrawn somewhere because I didn't allow that.... same with a deposit, you know, these deposits haven't hit the bank yet because my beautiful XXX (assistant) has just done this bank rec and they're the deposits going in today – so we have a little bit of income coming out of one side and a massive debt coming

out the other, so that's where principal and SAM have to really work well together to keep everyone in the picture of what's happening.

M: I can see the ostensible difficulties which an inexperienced SAM with an inexperienced principal would have. And my understanding is there are a lot of changes happening in other schools at the moment?

A: Well that's right... 60% of principals will retire within the next 4 years.

M: including yourself right?

A: Yes... And there's a lot of SAMs who are in a similar position.

(school announcement – “the carnival is still on!” [it has been raining heavily for 4 days])

A: The weather must have turned....

A: There are other minor issues about managing the staff, for example.... and it was common practice here that we had to change... suppose your drama people put on a show and they charge 10 a head, and they get 200 people come... so suddenly they're carrying \$2000 cash and they have to give to us. Let's assume that we bank that properly... in the old days they would come back to us and say “hey we raised \$2000, that's our money... we worked hard to put that show on... we want to spend that on buying drama textbooks”. Now, in one sense that sounds fair... but why is it... is that fair in return for the maths faculty who don't have the opportunity to put on a show. Does that mean that the maths faculty should be \$2000 poorer coz they can't put on a show... they can't raise money in the faculty...

M: No one wants to see a maths show!

B: No

(Laughter)

A: But yet in many cultures, in less regulated school cultures, there are those little mini fiefdoms that run their own budgets that sit outside of good auditorial practice. So when I came here, and XXX wasn't here at the time, I literally had to “reculturate” the place and say “now every dollar that comes into the school goes onto our income, because it's our income... you might be the drama faculty but in reality you are XXX High School... and the auditors

insist that you must have a database that keeps track of your cash flow... and we will add it all up and that will be our predicted income and you can have back what you need to buy drama textbooks and to run a show"... and the only exceptions that we make... we have set up what we call a "Hall Trust" because the Hall does raise money, but instead of that going back to the faculties, it now goes into a trust which allows us to buy new lights, replace the bulbs in the lights, buy new sound equipment and so on...

B: Fix the curtains

A: So you can do that but you can't have each little mini faculty running their own budgets.

M: I think that makes sense to me because the collective culture kind of reflects my understanding of what is a public service...

A: Ahh yes, but then you are in business degree (Laughs) and you can see that, in reality...

B: And in reality I really have to go before it gets dark

(XXX has commitments in Batemans Bay)

M: Thank you so much for your time XXX....

B: You are very welcome

A: And I am going to stop talking now, coz what i have got to clarify is... if we are going to provide any future support for Jon, I am going to need to know what his PhD is and where we go to next. Obviously I do support him, and this is our time... i am happy to hand out surveys for PhD candidates and things like that. But we've only scratched the surface. We're trying to give you an example here. If you want to come back, we can negotiate, we can give you more time, but in order to help you we'll actually have to know what the direction, the themes of your thesis are so that instead of us just talking for an hour, we can answer specific questions.

M: I completely agree. And I do have some conflicting ideas... my supervisors....

A: I know theses change all the time.

M: True, but I do have a good idea of where it's going now. It has crystallised in my mind at least.

A: Good... well we'll let XXX go....

M: Yes..it was lovely to meet you XXX

B: No worries I will speak to you in future, no problem. Ok XXX, see you on Monday

A: I'm in on Monday. A rare event!

(Laughs)

A: Ok, so now that's in a thumbnail, and clearly it's much more complex than that, it takes years, it took me several years to get into it, but that's roughly how school funding and finance works. At this moment. And for the non-trial school sit will continue to work that way for most of next year. SAP, by the end of 2014, every school will be SAP'd. But that's counting on....fingers crossed... all of the computer programs working the way they're supposed to.

All right, now what else can I tell you?

M: No that's fantastic mate. That's really what I wanted today because... just to gain some insight, some understanding.

A: Hmm, you can see the intricacies of how school finance works

M: Absolutely, yes.

A: What sort of direction are you thinking the degree might... Who are your supervisors btw?

M: you mightn't know the names, but one is Dr Sudhir Lodh, I know you have some connection with the uni.

A: Yes most of mine is with the department of education, but I had, I was working with some uni people this morning and I was saying that I had a PhD candidate coming in and they (inaudible)... who's the other one?

M: He's the Associate Head of School and his name is Graham Bowrey.

A: Oh, I think they mentioned his name

M: Oh, you don't know Paul, umm I'm not sure about his last name, but he's my neighbour, he lives across the road. He's got a bald....

A: Oh Paul Chandler? The Dean of Education?

M: (Snaps fingers) Yep that's it.

A: I know Paul Chandler very well

M: He's my neighbour! We go surfing together sometimes.

A: Really?

(Laughter)

A: Well when you see Paul Chandler, the next time, you tell him that XXX... Paul and I have great mutual respect for each other and we're on many committees together and you tell him that you came to XXX and he showed you some things about ahh....

(More laughter)

M: Yes... he's a good man.

A: Between the uni and the department there's what's called the "Committee of Cooperation" and he represents the uni and I am the principal's rep on it.

M: There's great mutual respect. Are there also some loggerheads there as well?

A: No nono! Paul and I get on really well. In fact I'm... post retirement I am hoping to do some stuff with the uni. In fact I've got about 4 projects running with the uni now so I do try to keep in touch. But it's interesting that you know Paul. But I don't know many people outside of the education faculty.

M: Well you know me!

A: yes

M: And hopefully you'll get to meet my supervisors.

A: Well that would be good. So what do you think at the moment is the PhD?

M: Well here are couple of ideas. My supervisors and I agree that for a Masters, and that is if it is not upgraded, because it looks likely to be upgraded because it becomes just too complex, but at this level, my primary supervisor talks about the visibility of accrual systems in use in public schools. And that is sufficient for a Masters because it does provide an avenue for interpretation. You can talk about...if XXX is not using the accrual basis to

provide good financial figures then you might argue that... and then you give those numbers to the Department of Education who *does* use an accrual system, you have an avenue for interpretation about these systems and whether they are lacking or if they are good.... so there's one avenue.

A: And my read on that is this... in the absence of an accrual system, the one thing that you really do need to keep a close eye on which we haven't even mentioned is cash flow.

M: Indeed

A: Because your money doesn't always come in at once and it doesn't go out at the same time that it comes in. Where in an accrual system, as is my understanding of how SAP will work, invoices will be paid right away regardless of where the money is coz the money exists in a massive bank account that's held by the state. Where theoretically... we can always pay our invoices because we're always ahead of the curb. We've always got enough money to do that. And I do keep... I didn't show you... but I've got cash flow records. Right, so, theoretically however, in a non-accrual system, if I gave the teachers their budgets and they all spent them the next day, we wouldn't have any money... would we?

M: That's right!

A: Now it doesn't happen that way, but it does mean that you've got to... and the auditors insist on this... that you've got to have a database which keeps track of your cash flow... because even your GG... they only give you half of it...twice a year

M: Ahh every 6 months?

A: They don't give you 340000 at once, they give you 170000 in July and 170000 in November .

M: Ahhok..XXX showed me the report with the bank rec with 16000 outstanding...

A: So if it goes to PhD where do you want to go with it?

M: Ah well here's where it gets interesting... what I read into a lot, you may have heard of the term NPM, it is a global impetus about reforming public sectors and making them more efficient

A: Yep

M: ...By... Commercialisation, privatisation... essentially tax less and achieve more. So what we're trying to get to ... reconciling that with a study like this, I would look more at the rhetorical potency of things like LSLD, and it becomes a critical study which can be a bit of a tricky scenario.

A: it is tricky and you have to precisely define it.

M: Right.

A: there are so many different dimensions. There's the dimension for example of principal accountability and principal efficiency... If you can see all the time what the principal is spending and where he or she is spending...

M: You become less efficient?

A: Hmmm, then in a sense you can become more efficient in monitoring it, but you can also then have more reins on the principal, you can have more direct control on the principal...

M: But is that what we really want? Wouldn't we prefer to have our faith *in* the principal rather than...

A: That's what politicians say...

M: And that's the potent rhetoric I am talking about. So i tend to think, and this might be the crux of the argument in a PhD, the trade-off between the accountability, which traditionally is what was sought in government, and these NPM ideals that are pursued, things like efficiency, effectiveness... achieving more with less.... I can see a trade-off there and that's where you can latch onto it to make an argument. The course of the interviews... well... it might also include a survey... you can see that it can become more and more complicated....

A: It does... now turn the recorder off... I want to go off the record.

XXX and I discuss some options for PhD material and he opines about certain things. This discussion goes on for another 20 minutes or more. I thank him very much and bid him adieu. I have gone overtime and wish to pursue this more with him in the next interview. XXX was a congenial and friendly participant and I cannot thank him enough for his participation.

