HIERARCHICAL POSITION IN LOCAL GOVERNMENT AND PERCEPTIONS OF ACCOUNTABILITY

Ron Kluvers*

Abstract

This study explores the understanding of the concept of accountability held by Victorian local government managers and elected councillors in a New Public Management (NPM) environment. Accountability involves relationships between superiors and subordinates and in the case of local government between councillors, management and members of the community. Accountability relationships exist between councillors and management and between the different levels of management. The position that a person holds within local government is subject to the organization's culture, in particular the values held by councillors and staff, the use of power and how the superior / subordinate relationships are understood.

A survey instrument was sent to all councillors and managers in Victorian local government. There was a 21% response rate. Anova analysis was applied to determine if there were significant differences between councillors and tier 1 and tier 2 managers. The anova analysis found that there were differences between the groups depending upon where the municipality was located and whether a person was a councillor or a tier 1 or tier 2 managers.

*Centre for Enterprise Performance, Faculty of Business and Enterprise, Swinburne University, Hawthorn
Email: rkluvers@swin.edu.au

Introduction

Accountability is a complex and multifaceted concept (Sinclair, 1995) that is made operational through relationships between individuals and organisations (Ebrahim 2003). Both formal and informal relationships develop within organizational structures. There are also relationships also with stakeholders external to the organization because of the position a person may occupy Councillors and local government managers have accountability relationships with people in their municipality, while accountability relationships exist between councillors and management and between the different levels of management because of the positions they hold within local government. The position that a person holds within local government is subject to the organization's culture, in particular the values held by councillors and staff, the use of power and how the superior / subordinate relationships are understood.

According to Mulgan (2000) accountability can refer to obligations that arise out of a relationship where one person or body is responsible to another for the provision of particular services. The obligations are twofold: first, to account for their performance and second, to accept sanctions or redirection. Mulgan (2000) goes on to point out that the relationship is one of principal and agent where the principals have the authority to give directions and hold the agents accountable. However, the agent can in practice be the dominant partner in the relationship.

While accountability may be difficult to define (Ebrahim 2003, Goddard 2005) there is a consensus that it involves a rendering of an account. Underpinning the concept of accountability is the notion that one person is responsible to another, and is obliged to render an account of their decisions and actions to another party. The discharge of accountability relies on the provision of information of one party to another concerning the use of resources. According to Ebrahim (2005) accountability is primarily relational rather than systemic, and is predominantly upwards in direction with a focus on short term outcomes and efficiency. At the centre of this type of accountability relationship is asymmetrical power. Further Ebrahim (2005) argues that the information required by the upwards accountability is primarily financial and appears to be simplistic and one dimensional and is in contrast to what is required for the framework of accountability as argued for by Cutt and Murray (2000), Funnell (2003) and Broadbent and Laughlin (2003).

This research is based upon the assumption that accountability is relational and that a person's position in an organizational hierarchy will influence their perception of accountability. This study will examine the influence of position on the understanding of accountability held by councillors

and tier 1 and tier 2 managers in Victorian local government. The research reported in this paper describes how managers and councillors, in Victorian local government, perceive and understand the concept of accountability. The nature of accountability will be explored in the following section. There will then be a discussion about the impact of the NPM on accountability in the public sector followed by an explanation of the research method. This will be followed by an examination of the studies' results followed by a discussion of the findings and conclusions.

The nature of Accountability

The concept of accountability has numerous facets. In fact it is more appropriate to speak of different accountabilities. The essence of accountability, argue Cutt and Murray (2000), has always been the obligation to render an account for a responsibility that has been conferred. Yet, while the concept might at first seem to be easily defined accountability relationships are in reality complex and multi-faceted (Sinclair, 1995). Glynn and Murphy (1996) argue that accountability is broadly speaking the process via which a person, or group, can be held to account for their conduct.

However,, Broadbent and Laughlin (2003) argue that there are broadly two forms of accountability; public/political accountability that involves the public as principals and is concerned with issues of democracy and trust, and managerial accountability that is concerned with day–to–day operations of the organisation They argue that under managerial accountability the provision of detailed information is not directed to being more accountable to the public but rather it is an attempt by the principals (elected representatives) to control the agents (managers) and legitimise past decisions and actions. In addition Funnell (2003) argues that other forms of accountability are reduced when accountability that highlights accomplishments progress and improved performance is encouraged. Similarly, broadening the scope of accountability to include managers inserts extra levels of accountability between the delivery of services and elected representatives. Service delivery, according to Funnell (2003) has been changed from a political activity to a technical issue therefore placing a greater emphasis on technical information such as accounting, budgeting and performance measurement. Further, these predominantly quantitative measures provide information about efficient performance, which is related to managerial accountability, rather than effective service delivery, which is related to public / political accountability.

Tilburg (2006) notes that in an upwards accountability to superordinates an emphasis is placed on procedural or administrative methods. She adds that performance measurement is a top-down process in which there is only participation by subordinates or

the broader community. The emphasis on efficient service delivery and quantitative information changes the nature of accountability leading to a greater control by the executive rather than increased scrutiny of the executive (Broadbent and Laughlin 2003).

Financial accountability is a large component of the upwards accountability described by Tilburg (2006). Carnegie and West (2005) argues that general purpose financial reports, published by Australian local governments are often considered to be too complex, too narrow and confusing and impede the development of accountability in municipalities. Carnegie concludes by arguing that the emphasis on a narrow financial accountability is inappropriate for a non-commercial social institution.

The appropriateness of conventional accounting in providing information for public sector accountability has been questioned by Collier (2005). He argues that accounting is bound with the issues of who is accountable, to whom, and for what. The purpose of accounting systems is to capture and report information about economic transactions. He goes on to state that accounting provides explanations of past actions and justification for future actions. Therefore the type and format of the information provided by an accounting system can have an impact on the understanding of the accountability held by the different parties to the relationship. This is particularly the case with the advent of the New Public Management (NMP) and the consequent introduction of commercial accounting into the public sector (Carnegie and West, 2005). In the public sector accountability relationships are hierarchical involving principal and agent relationships. For example elected councillors are agents for the citizens that elected them and local government managers are agents for the councillors. The rendering of account requires the agent to provide information about decisions and activities to the principal. Accountability is thus established when an agent accepts resources and responsibilities entrusted by the principal.

It has been argued that NPM has changed the understanding of accountability in the public sector (Parker and Gould, 1999). On the one hand NPM, with its production values is a threat to traditional accountability; while on the other hand, it has broadened the concept of accountability to include performance. There is an emphasis on planning, budgeting and service delivery (Goddard, 2005) and a lessening of the differences between the public and private sectors (Hood, 1995). The expansion of the concept of accountability in the public sector has increased the need for appropriate information in accountability relationships. Cameron (2004) argues that the reporting of well-documented performance information is now fundamental to public sector accountability. Cameron's comment reinforces the perception that there has been a shift from public/political accountability toward managerial

accountability. Similarly, Tilburg (2006) points out that performance measurement relies on guidelines, formalised procedures and standards resulting an accountability to procedures rather than clients.

According to Hood (1995) NPM involves the lessening of the differences between the private and public sectors. This includes defining relationships between the municipality and internal and external parties in contractual terms. This relies on the ability to reduce all accountability relationships to ones of obligation; where there is a principle/agent relationship. So long as the contract is clear then the obligations under the relationship are clear as are the information needs to monitor the performance of the contract. None the less, Mugan (2000) argues that accountability appears to be more rigorous in the public sector than in the business sector, particularly in regard to the processes used to determine their general directions and policies. However, principal/agent relationships are complicated by information asymmetry and power differentials (Broadbent and Guthrie, 1992).

Victorian Local Government has undergone numerous changes in recent years, many of which can be characterised as being part of NPM (Kloot and Martin, 2001). Local government is subject to the control of the State government, whose legislation gives it life and responsibilities (Kloot and Martin, 2001). They also argue that accountability in a NPM framework is more centred on financial outcomes. This is consistent with the findings of Taylor and Rosair (2000). However, Kloot and Martin (2001) conclude that local governments in Australia have emphasized accountability to ratepayers and the wider public and argue that managers in local government are capable of meeting the demands of multiple accountabilities. However, this is not the argument of Carnegie (2005), Ebrahim (2005) and Tilburg (2006).

Parker and Gould (1999) state that accountability in the public sector under the NPM, has expanded its scope beyond the traditional accountability, that was primarily concerned with the stewardship of assets and the monitoring of processes, to include the monitoring of inputs, outputs and outcomes. As a result of the change in accountability the information being provided is predominantly managerial rather than that required for public/political accountability. Under the influence of the NPM the accountability relationship between councillors, managers and citizens has changed so that measurement of results and the provision of information about performance has become increasingly important and is seen as fulfilling accountability obligations

Cameron (2004) points out that Key Performance Indicators (KPIs) are largely driven by the budgetary process and linked to the allocation of resources rather than the attainment of objectives, therefore emphasising managerial rather than political processes. In addition he suggests that the link to the

budget explains the emphasis on efficiency rather than effectiveness. He goes on to say that many KPIs are reported by agencies to meet compliance requirements rather than to report on the effectiveness of programs. This line of argument was also supported by Ebrahim (2005).

The principal/agent or accountor/accountee relationship is arguably easier to define in a commercial context where contractual relationships are common and understood. Also the lines of accountability are easier to delineate in comparison to the public sector. However, under NPM accountability relationships, within the public sector, appear to have become contractual in nature with implications for the superior / subordinate relationship. Patton (1992) states, public sector organizations are not judged by the profits they make or the dividends they declare but rather on the policies that are developed and the extent to which stated objectives have been achieved. The argument outlined here by Patton (1992) equates with public/political accountability discussed by Broadbent and Laughlin (2003).

Taylor and Rosair (2000) concluded that the predominance of one type of accountability depended upon the intended accountees, that is, the participating parties within the structure of government and the public. The results reported by Taylor and Rosair (2000) indicated that the main purpose of external reporting was linked to meeting accountability demands of the participating parties and had little to do with providing accountability to those accountees outside of the government structure. In comparing accountability in the business sector with accountability in the public sector Mulgan (2000) states that in both sectors managers attempt to keep as much information confidential for legitimate reasons and to avoid unfavourable publicity. Similarly, Kinchin (2007) has argued that a decision-maker may be reluctant to embrace transparency as this not only reveals operative legislation and policies but also themselves. A decision-maker becomes vulnerable to criticism if they are completely transparent. Kinchin(2007) argues that a code-of ethics has the potential of ensuring public sector accountability. However, if the decision-maker does not adhere to a code of ethics then accountability will at best operate on a surface level. Therefore, following Kinchin (2007), the level and quality of accountability in an organization is linked to the values of individuals and the ability of individuals to influence the practice of accountability. Thus ones' hierarchical position could shape your understanding of accountability and your ability to have an impact on type of accountability predominating in the organization in which you hold a position.

Research Questions and Method

The research question to be answered is whether the understanding of accountability is influenced by the position held within local government; and whether councillors, tier1 managers and tier 2 managers have a different understanding of accountability. Data was collected by survey that had been developed on the basis of the issues raised in the literature. The questionnaire was submitted to the Victorian Local Government Association (VLGA) and the Municipal Association of Victoria (MAV) for comments about the appropriateness of the statements and the format of the instrument. Each of Victoria's 78 municipalities was sent a questionnaire accompanied by a covering letter. There were 330 useable survey instruments returned, representing a response rate of approximately 21 percent. There were 142 responses from metropolitan councils and 181 responses from regional councils. The respondents were divided into 113 councillors, 77 first tier managers (such as chief financial officers) and 135 second tier managers (department heads). Two-tailed ANOVA tests were applied to statements that explored a respondent's perception of accountability. The statements for which responses were sought included:

1. At the centre of an accountability relationship is stewardship;
2. A greater degree of participation in decision-making will improve accountability;
3. Only councillors should be held accountable for policy decisions;
4. Personal values are the only guarantee of accountability.

The respondents were grouped by the position they held; councillors, or tier 1 and tier 2 managers. The responses given by councillors and managers to each significant statement were then analysed (See Tables 3 to 7).

Results

The ANOVA tests of the five statements revealed statistically significant results according to whether the respondents were councillors, tier 1 or tier 2 managers (See Table 1).

The three groups were clearly in agreement with the statement that *"At the centre of an accountability relationship is stewardship"* (See Table 2). However, tier 2 managers showed the least support and were more likely to be undecided. There was very little difference between councillors and tier 1 managers in their response to this statement.

There was significant support for the statement that *"A greater degree of participation indecision making will improve accountability"*, (See Table 3) particularly among tier 2 managers. Tier 1 managers had the largest percentage of respondents who disagreed with the statement. Tier 1 Managers had the largest undecided response.

The three groups all disagreed with the statement that *"Only councillors should be held accountable for policy decisions"*, (See Table 4) however, fewer tier 2 managers agreed with the statement. Councillors had the largest percentage of respondents in agreement with the statement.

Councillors were also the group with the largest percentage of respondents who agreed with the statement that *"Personal values are the only guarantee of accountability"*. (See Table 5). The tier 1 managers had the greatest percentage of respondents who were undecided and disagreed. Councillors had the smallest percentage of respondents who were undecided or disagreed.

Discussion and Conclusions

The ANOVA test revealed statistically significant difference in the responses to the five statements when analysed according to position, i.e. councillor tier 1 and tier 2 managers. The three groups did not generally disagree in their responses to the four statements, however, there were differences of degree. In general terms there was a broad similarity between the three groups in their understanding of accountability. The results point to the three groups holding a broad concept of accountability, beyond the merely financial. The results also indicate the existence of both upwards and downwards accountability However, the results indicate that there were variations in the responses of the three groups to the five statements. Therefore it can be argued that the hierarchical position held by a person can influence their perception of accountability.

The responses to the first statement that *"At the centre of an accountability relationship is stewardship"* was clearly supported by councillors and tier 1 managers, however significantly fewer tier 2 managers supported the statement. This may reflect the relative lack of power of tier 2 managers; few of their decisions would involve stewardship of the community's assets, rather they are concerned with the provision of services. This result may reflect the understanding of councillors and tier 1 managers that their positions involve stewardship.

The statement that *"A greater degree of participation in decision making will improve accountability"* was most strongly supported by tier 2 managers and least supported by tier 1 managers. This result could be indicative of tier 1 manager's concerns about control and the desire of tier 2 managers to be given a greater role in decision making. Again, this result reflects the influence of hierarchical position on the understanding of accountability.

The statement that *"Only councillors should be held accountable for policy decisions"*, was rejected by the three groups, however, tier 2 managers were strongest in their opposition possibly reflecting their concerns about the power of the other groups. Councillors were more evenly divided indicating a

belief that as elected representatives they were responsible for the decisions made by council. The tier 1 manager's response reflects a belief that upper management has a role in policy decisions.

The statement that "*Personal values are the only guarantee of accountability*" was also rejected by all three groups. It was most strongly rejected by tier 1 managers and given more support by councillors. This result might be interpreted as showing that councillors were more likely to feel that their personal values should be part of decision making. However, both management groups rejected the idea that personal values were important to accountability. Both groups of management appear to regard accountability as being underpinned by the institutional processes therefore rejecting the argument of Kinchin (2007).

The overall impression gained from the results of this study is that the position of the respondent in local government has an influence on their perception of accountability. The accountability relationships between councillors and managers are at the very centre of processes and policies of a local government and are impacted by the use of power. The results reported in this paper show a broad understanding of the concept of accountability irrespective of the position held by the respondent. However, differences between groups tend to be ones of degree; and there were no responses showing contradictory attitudes to those of other groups. The position of the respondent reflects the control and the degree of participation the respondent has in decision making. Tier 1 managers appear to want control while tier 2 managers were seeking greater participation. Personal values were seen to be an important part of accountability by councillors as they are elected and therefore politics and hence values play an important role in their decision making, while managers would more likely be guided by institutional processes.

These results were obtained by using a questionnaire and are thus subject to the problems associated with that method of research. However, the results do indicate areas for future research using qualitative methods.

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TABLES

Table 1. ANOVA for Councillors and Management Groups

Statement	Sig
Accountability can only apply in terms of probity	.010
At the centre of an accountability relationship is stewardship.	.045
A greater degree of participation in decision-making will improve accountability.	.040
Only councillors should be held accountable for policy decisions.	.001
Personal values are the only guarantee of accountability	.025

Table 2. Accountability and stewardship

At the centre of an accountability relationship is stewardship	Councillors %	Tier 1 Managers %	Tier 2 Managers %
Agree	73.6	74.7	61.7
Undecided	17.3	13.3	21.4
Disagree	9.0	12.0	16.9

Table 3. Participation and accountability

A greater degree of participation in decision-making will improve accountability	Councillors %	Tier 1 Managers %	Tier 2 Managers %
Agree	79.3	70.3	83.5
Undecided	4.5	6.7	3.8
Disagree	16.2	23.0	12.9

Table 4. Only Councillors accountable

Only councillors should be held accountable for policy decisions	Councillors %	Tier 1 Managers %	Tier 2 Managers %
Agree	40.2	27.3	19.5
Undecided	8.9	6.5	8.3
Disagree	50.9	66.3	72.2

Table 5. Personal values

Personal values are the only guarantee of accountability	Councillors %	Tier 1 Managers %	Tier 2 Managers %
Agree	46.4	22.0	33.1
Undecided	2.7	13.0	9.8
Disagree	50.9	65.0	57.1