CAUGHT IN AN EVALUATORY TRAP:
A DILEMMA FOR PUBLIC SERVICES UNDER NEW PUBLIC FINANCIAL MANAGEMENT

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Abstract

CAUGHT IN AN EVALUATORY TRAP: A DILEMMA FOR PUBLIC SERVICES UNDER NEW PUBLIC FINANCIAL MANAGEMENT

This paper presents a challenge to public sector managers, policy makers and interested academics. Drawing on the findings of previous international comparative studies of New Public Financial Management (NPFM) reforms, it concludes that public services and their providers are caught in an ‘evaluatory trap’. The continual promotion of NPFM reforms, despite their evident repeated failure to meet specified achievements, is argued to be generating a cycle of ever-decreasing public services at ever-increasing costs per service unit. As the legitimacy of public services increasingly rests on the need to be seen as efficient and effective and as definitions of efficiency frequently demand adoption of the latest set of NPFM reforms, it follows that the future for public services is in question.
Caught in an Evaluatory Trap:  
A Dilemma Of Public Services Under NPFM

Introduction
Recent international comparative work (e.g., see Olson et al., 1998; Guthrie et al., 1999; Jones, et al., 2001a, b) has shown the wide diversity of reform practice in public sector management, even across countries labelled as ‘active’ reformers. It has also revealed the significant influence of accounting-based, ‘financial management’ techniques in processes of New Public Management (NPM), to the point where financial management is regarded as the technical ‘lifeblood’ of many of the NPM organisational structures (Guthrie et al., 1999:211). Prior internationally oriented studies have not tended to concentrate on this influence (see Hood, 1995a; 1995b; Olsen and Peters, 1996; March and Olsen, 1995).

Comparing various national experiences, it can be seen that the growing tendency to resort to financial management systems has not brought uniformity of practice. Indeed, the reforms are little more specific than a generalised ‘reforming spirit’, intent on instilling greater financial awareness (e.g. in terms of surplus, financial management, debt) into public sector decision making (see Olson et al., 1998). There is no pre prepared, off the shelf, global, new public financial management (NPFM) package.

Nor does any particular pursuit of NPFM guarantee positive results. Discussions of both NPM and NPFM have highlighted the apparent (and, for some, misguided) faith being placed in such rational systems, despite the fact that, as Olsen and Peters’ (1996:14) conclusion illustrates, the old experience of unmet expectations and disappointments continues to recur. Furthermore, even if managerial accounting and control systems improve in sophistication, there is seldom convincing evidence that system sophistication is associated with improved performance and success – with NPFM reforms repeatedly being shown to have struggled on similar technical or behavioural issues (see Humphrey et al, 1993).
Problems with budgeting and resource allocation systems have been noted by some researchers. Unfortunately, however, the remedies proposed fail to grasp the root cause of the problem, with the ultimate result of exacerbating the situation. For example, some critics have concentrated on the mythical or ritualistic qualities of these systems, noting even the hypocritical nature of public sector organisations (Brunsson, 1989). Such a perspective, however, implicitly privileges a formal, rationalistic framework, and it is in fact precisely this framework wherein the problem lies. Claims of managerial ‘hypocrisy’ can present good arguments for (continuing) reform in contexts where economy, effectiveness and efficiency remain the primary targets. Thus, some critical research has unwittingly encouraged the continuing belief in and search for even “better” NPFM reforms - forcing the advocates of reforms to improve their rhetoric and implement more NPFM reforms in a futile, downward spiral.

Despite these problems, however, critiques of the questionable foundations of NPFM are not having much effect on the promotion of NPFM or the provision of alternatives (for some recent reflections, see Riley and Watling, 1999; Barton, 2001; English and Guthrie, 2001; Carlin and Guthrie, 2001). Indeed, in countries where NPFM has yet to exert much influence, it is perceived to be the way forward (Kokubu et al., 1998). This says much about the relative attractiveness of those proposing solutions as against those highlighting problems, as noted by Laughlin and Pallot (1998). It may also say much about the dialectical properties of NPFM systems (and the belief that they can generate results if suitably managed – see Humphrey et al., 1993) or about the lack of confidence (or naivety) of public service managers and others capable of shaping public policy agendas.

This paper seeks to highlight the possible dangers of persisting with reform programmes in the arenas of public management and governance, when they so often depend on accounting-based techniques with lengthy histories of mishaps, problems and unintended consequences. In what follows, we argue that public services face a gloomy and unattractive future under NPFM – with the pursuit of efficiency and effectiveness potentially resulting in a damaging spiral of fewer and fewer public services being provided at ever-higher unit costs. We refer to this as the public sector’s ‘evaluatory trap’. The remainder of this paper will then consider the long-
term implications of this trap for public services and examine possible ways out of the trap. The paper is designed to be a challenge to public sector providers, managers, service recipients, politicians, researchers and other interested stakeholders. It is not intended to be the last word on the subject, but rather to stimulate more fundamental professional and academic debate on the international nature and future of public services and NPFM.

In section two we will provide an analysis and definition of accountability and responsibility. An analysis of the extension of formal accountability, consequent on the uptake of NPFM, will then be undertaken in Section 3. Section 4 presents the idea of the ‘evaluatory trap’ (i.e., it will be argued that the continual promotion of NPFM reforms generates a cycle of ever-decreasing public services at ever-increasing costs per service unit). The final section provides a conclusion, identifying the evaluatory trap as a major unintended consequence of NPFM reforms.

Accountability and Responsibility
Accounts can be seen as a central feature of human life. As Willmott (1996:23) argues:

“Accountability - in the sense of rendering intelligible some aspect of our lives or ourselves - is a distinctive and pervasive feature of what it is to be human. Human beings are continuously involved in making and giving accounts to others, and to ourselves, about who we are, what we are doing, etc. This universal aspect of accountability is a condition of our participation in any social world. The universal aspect of accountability enables our experience to be rendered intelligible to others and to ourselves.”

Accountability can thus be seen to be a broad concept.

A frequent official claim made regarding NPFM technologies is that they are seeking to enhance the ‘accountability’ of public service organisations to government and broader service recipients. For reasons that will be elaborated below, it is, however, critically important to define what is meant by ‘accountability in this context, particularly as it relates to the term ‘responsibility’.
While some authors have drawn distinctions between accountability and responsibility (Mellemvik et al., 1988; Hoskin, 1996), the general tendency in the accounting literature is for no significant distinction to be drawn between the two (Lindkvist and Llewellyn, 2000). This paper will argue that the difference between the two concepts exists and is important - particularly because ‘accountability’, in a public sector context, appears to be increasingly dominating matters of ‘responsibility’. The definitions of the two terms will now be examined.

‘Responsibility’ is a term coupled to action carried out in the present. As actors (e.g. public service providers) are responsible for their actions, both instrumental and moral knowledge are important in order for them to act properly (i.e., ‘responsibly’). Accountability, however, differs substantially from responsibility. It is the presentation of an account (i.e. an oral or written text) about action and/or about other texts. Unlike responsibility, which is located in the present, accounts refer to actions in either the future or past - it is impossible to create a text about present action in the present, unless the action being described is one of writing/speaking, or is being performed by someone else. Personal and organisational accounts about action will, therefore, be given before or after the act to which they refer.

In formal accounting contexts there is a strict distinction (often reinforced by legal provisions) between the giving of accounts about past action via ex-post accounts (e.g. an annual report) and the giving of accounts about future action via reference to ex-ante accounts (e.g. a budget). However, the difference between accountability and responsibility can still be confusing. Conventional management accounting wisdom strongly focuses on the notion of responsibility centres (Anthony and Govindarajan, 1995), even though ‘accountability’ centres is a more appropriate term – especially given that the main concern within conventional management accounting is specifying formal accountability processes (i.e. what the ‘centre’ has to account for) across different types of organisational units and between various levels of the organisational hierarchy.

**Extending Formal Accountability - The Critical Emphasis of NPFM**

The effect of NPFM is, at least in principle, to change the basic elements and practical significance of accountability systems for public sector organisations and
organisational units. Traditionally, public sector organisations, at all levels, have been viewed as discretionary expense centres. Under NPFM, public sector bodies have transformed (or are in the process of transforming) their overall financial statements to ones based on accrual accounting principles. National and local governments, as well as local service units (e.g. a school or home for the elderly), are increasingly being viewed as profit centres (Guthrie, 1998a). The idea of a profit centre is operationalised by establishing closer relations between revenue, expenses and operational outputs. The strength of the relationship varies – with some public service organisations being allowed a greater capacity than others to charge for their services (the police service being one example where charging has been traditionally quite restricted – see Chatterton et al., 1996). Revenues can also be determined in more indirect fashions – using resource allocation formulae that incorporate output-based performance statistics or allowing budgeted costs to be transformed into lump sum revenues (in Sweden this procedure arises in the case of ‘city-transfers’). This means that most public sector profit centres are not pure profit-centres acting in a competitive market, as is the case in the private sector. Instead, their revenues can derive from monopolistic markets and be directly influenced by political decisions. Public sector profit centres are, therefore, best referred to as quasi-profit centres.

The use of the income measure in the public sector has been questioned because the sector does not have shareholders demanding dividends. It has also been argued that overall governmental goals are more complex than profitability and financial rates of return on capital employed (Falkman, 1998). Further, NPFM reforms have persistently struggled with the basic, technical task of relating service inputs to outputs, especially with respect to attempts to arrive at full-product costs of public services (Humphrey, 1998). Such criticisms and concerns, however, should not be allowed to detract from the scale of the change in mind-sets in some countries with respect to preferred public sector forms of organisation and accountability. This applies especially to the extent to which the notion of profit centres has gained ground and the degree to which public sector organisational units are seen as separable, stand-alone entities. For instance, under the current Labour government in Britain, there has been greater involvement of private sector organisations in the running of (‘failing’) schools and an arguably declining co-ordinating influence for local government in the provision of secondary education. Similar developments have also been taking place...
in Australia (English and Guthrie, 2000) and Sweden (Olson and Sahlin Anderson, 1998) during the 1990s.

The corollary of a move to quasi-profit centres and more disaggregated public sector organisational structures has been a significant extension in formal accountability systems. This has been the case to the point where the increased emphasis on (centralised) monitoring procedures (e.g. in the form of performance targets, audits and inspections) has seen regular questioning of the degree of flexibility and freedom being given to public sector ‘profit’ centres and the general, paradoxical nature of NPFM reforms (for a review, see Humphrey et al., 1993). As Rhodes (1996) stressed, the strange thing about such reforms is that they are ill suited to the type of networks and partnership arrangements that many modern-day governments are keen to encourage (also see Ohlsson and Rombach, 1998; Kirkpatrick, 1999).

The displacement of responsibility for providing public services reflects a loss of faith/trust in the quality of public services and usefully symbolises the greater attention to reporting on public service provision (as distinct from seeking ways to enhance the quality of such services). Especially striking about such a switch is that it has taken place without any shape of a guarantee (or even supporting evidence) that the new (NPFM) frameworks will lead to ‘better’ performance or that the information reported in the new accountability ‘texts’ is trustworthy, useful and is used for decision making. Such texts are not only often de-coupled from action, but can also struggle to provide an accurate reflection of action, either due to income- or performance-smoothing, or through innocent inaccuracies in measurement and unavoidably ambiguous input-output relationships (for illustrations and further discussion, see Mayston, 1999; Hodges and Mellett, 1999).

The debatable status of a citizen’s capacity to act on reported service standards (whether through public access restrictions, overly aggregate data, a continuing dependency on the public service concerned and/or a lack of political influence) reinforces worries over the role of NPFM reporting systems. Rather than providing declarations of service performance, such ‘accountability’ systems can be used to deny responsibility for, or ‘explain-away’, poor service – in accordance with Armstrong’s (1988) thesis of accounting systems as vehicles for delegating blame.
(also see Barberis, 1998:459). From such a perspective, conceptually, NPFM reforms represent a move from systems essentially based on the discretionary responsibility of service providers to ones with more constrained public service responsibilities and requirements for performance to be measured and compared against targeted volumes, costs of units produced and service/product quality.

In the ‘new’ public sector world, periodic reporting has definitively increased in volume, as has both (internal and external) auditing and inspection, across a wide range of dimensions of organisational activity including environmental, social, quality, value-for-money, corporate governance and risk management matters (for reviews, see Power, 1997; Bowerman et al., 2000). The rise of ‘self-audits’ (under traditional auditing concepts of independence, a blatant contradiction in terms) is a classic illustration of the increased importance and trust placed in processes of formal accountability. The fact that one can easily find references to the need for people to be ‘responsible’ for the management of ‘accountability’ systems (Barberis, 1998) again emphasises the declining organisational significance of the day-to-day act of delivering services. Similarly, studies of public sector benchmarking reveal that rather than being a method for enhancing service provision, benchmarking activities very often become compulsory exercises - where the key criteria is not to be forward-looking and learning oriented, but to protect one’s existing position and not be left vulnerable in terms of published league table positions (Humphrey et al., 1998). This does not seem to be peculiar to public sector organisations, but is in line with developments in the rest of society, with a claimed gulf having opened up “between poorly rewarded ‘doing’ and highly rewarded ‘observing’ (Power, 1997).

**An Evaluatory Trap**

March and Simon (1958) long ago stated that no action can ever be as rational as it is in theory (i.e. in text), but for many public sector management reformers, NPFM has become a super-rational means to achieve cost efficiency savings and effectiveness improvements.

The complexity of input-output relationships and causal knowledge in public services, however, remains. Many activities relate to people or citizens, each of whom have lives and social contexts that are only partially formed by the intentions of actors
within the public sector. For instance, examination grades can certainly be dependent on many variables other than teacher performance - including the attitude and ability of the students, the role and resources of friends and parents and the social structure in the school, the local community and society at large. Formal (accounting) monitoring systems, which focus on internal influences and factors, are always likely to struggle to monitor performance. Yet they seem able to retain a privileged status, such that like-minded failures generate repeated (like-minded) attempts to improve measurements and evaluation-procedures. More information is therefore demanded and activities are monitored in more detail and across more dimensions.

The implementation of accrual accounting systems in the public sector provides a pertinent example. Broadly speaking, the official case for such systems is that they measure costs and assets better than the previous fund or cash accounting systems. They also allow the performance of service units to be constructed in terms of profits. A crucial task for profit-centre managers (and/or politicians) is to ensure that the reporting systems at least give the appearance of securing fundamental gains. Thus, one can see in several countries considerable debate over the precise scope and format of accruals accounting systems (not least, in terms of what counts as a public sector asset and what can be financed ‘off-balance sheet’), as well as performance targets being specified for profit-centres (for further discussion, see Falkman, 1998; Guthrie, 1998a; 1998b; Heald and Dowdall, 1999; Hodges and Mellett, 1999; 2000; Pallot, 1998). The nature of the accounting system not only encourages cost-manipulation but also puts significant emphasis on the search for ways to increase revenues – generally by charging others for services that have traditionally been provided free. This suggests a two or multi-tier public service standard, wherein standards depend on the recipient’s ability to pay and the provider’s ability to segment the market for their services. In effect, there are two basic, financially oriented processes going on at the same time. One is direct and pragmatic – the need to make short term gains/savings, usually in the name of generating a budget surplus and/ or repayment of debt. The other is more indirect – the need to construct an impression of financial prudence, economical and efficient performance. The irony is that more self-oriented actions are being institutionalised at a time when public service networks are supposedly being encouraged to work together and for public services (and their consequences) to be addressed and managed in ways which cross organisational boundaries.
Of utmost significance is the fact that all these continuing investments in control and evaluation systems do have a direct influence on the cost of public services. Information is not a free good. Collecting data, structuring data and reporting information consumes time and costs money. Managerial and political use of information also attracts costs. NPFM has generated increased costs on all such dimensions. Such increasing costs of control (for some reviews, see Boyne, 1998; Kirkpatrick, 1999) not only includes accounting staff, but stretches across many different groups of employees, even creating what some have referred to as pseudo- or ‘born again’ accountants (Chatterton et al., 1996). The following opinions of a Swedish hospital chief nurse and a Swedish hospital chief physician clearly illustrate the consequences of such a position:

“I am stuck in papers. It is a lot of administrative work. I am just sitting at my desk or attending meetings. This is hard for me. I have a very bad conscience because I have no time to work on patient-related matters. If I do so the paper-pile just grows”. (Blomgren, 1999, p. 145, our translation)

“We would be able to increase our production by 10% if we did not have to produce the control reports” (Nilsson 1999, p. 103, our translation).

In basic accounting terms, time and (consequently) cost is being re-allocated from service provision to control. The public sector under the regime of NPFM is a system where, on the one hand, the pressure is to decrease total cost (become more efficient), but where, on the other hand, (‘indirect’) control costs are increasing. The implication is that direct costs must decrease significantly to accommodate the increases in indirect costs and give overall cost reductions. As there is a firm relationship between direct cost and the level of service produced, especially with many public services being personnel-intensive, decreased direct cost means either decreased units of produced service or the same units of service being produced at lower quality. Alternatively, the profit-centre must look for ways of increasing its revenues, either through political bargaining and negotiation, or by charging consumers. The
emphasis on profit can potentially filter down to the extent that individual employees are under pressure to make themselves (and not just their unit) profit-making.

Several possible scenarios raise questions concerning the defining nature, scope and responsibilities of such services and the staff providing and managing them. For instance, a profit centre can reduce its costs by making staff redundant. However, if the state pays unemployment benefit and makes other social ‘transfers’ to such unemployed people, overall public costs may be little changed. Additionally, the units of service produced, or the quality of the services produced, by the ‘profit centre’, are likely to have decreased (Olson, 1996). This may be an unintended consequence of an advanced welfare system, however, it is also a consequence of financial management systems that are narrowing organisational boundaries and social responsibilities. This is especially so, given the reluctance of NPFM reformers to include certain types of assets (e.g. human competence) on contemporary public sector balance sheets (see Guthrie, 2001; Petty and Guthrie, 2000a; 2000b). Further, it is possible to see reverse scenarios wherein public sector employees recognise the increasingly uncertain (short-term) nature of their employment contract and adopt a less public spirited outlook to their work, only undertaking those activities which further their own career prospects. Such an approach can also undermine the overall quality of public service provision (for discussions in relation to higher education, see Humphrey et al., 1995; Parker et al., 1998).

An additional problem for public services facing potentially higher costs per unit of service provision concerns the poor structure of NPFM accounting reports. The reports can give an inaccurate picture of the additional (monitoring) costs being generated by NPFM regimes, as they tend only to report the most salient forms of such costs (e.g., the costs of accounting department, auditing, external evaluations) as indirect costs. Other costs of control and evaluation (the time spent by first-line service providers) can often be included in direct costs, leading to an understatement in indirect costs and overstated (possibly increasing) direct costs for public services.

In the context of NPFM, the solution to the above problems of cost-effectiveness is to implement more targets, more measures, more monitoring and more evaluations, which encounter more ‘teething troubles’ and generate further increases in the indirect
cost per service. The increasing time devoted to producing, reading and discussing accounting reports can also encourage a greater concern with the management of data than the management of organisational action (March, 1984), which in turn further undermines organisational performance and generates more demand for better control and auditing systems. There is also the psychological factor that renders it difficult to argue for fewer measures or less auditing once such systems have become well established. A recent illustration of such difficulties can be found in New Zealand, where the recently elected Labour Party has struggled to unwind a number of previous NPFM reforms (see Kibblewhite, 2001; Gill, 2001).

As NPFM systems become more extensive in some problematic public service areas (i.e., those with less clear input-output relationships and more extensive/demanding schemes of performance evaluation), there is an even greater likelihood that dysfunctional behaviour will be encouraged, further undermining the public’s trust in public services. For instance, police officers/forces under pressure to meet ever more stringent targets or expectations could respond by massaging or manipulating performance data or cutting back on service elements which are not explicitly included in targets (or charging for such ‘non-core’ services). Any exposure of such manipulation, service rationing or charging can further harm the police’s social standing and give rise to demand for (or bolster the legitimacy of) government attempts to expand monitoring systems or speed up processes of ‘privatisation’ (see Chatterton et al., 1996; Humphrey, 1998).

In many countries, the last two decades have seen major privatisations of public services. The case for further privatisation is enhanced by increasing costs per unit of public service or by evident examples of public service ineffectiveness. Additionally, the growing tendency to charge for public services serves to undermine distinctions between private and public services and can encourage ‘cherry-picking’ actions, whereby the most separable (and ‘profitable’) services are parcelled off to the private sector. The more extensive resort to ‘public-private partnerships’ in public sector investment programmes is also contributing to such pressures on public services. As Gaffney et al. (1999) concluded, the private finance initiative in the British Health Service (NHS) has been claimed to be biggest hospital building programme in the history of the NHS and yet is being accompanied by the largest acute hospital closure
programme. As the Editor (Smith, 1999:3) of the British Medical Journal commented:

“Much evidence is accumulating to show that private finance initiative schemes are costing more than traditional public funding of capital developments. The £2.7bn ($4.3bn) Scottish private finance initiative programme, for example, will cost some £2bn ($3.2bn) more than it would have done if the Treasury had acquired the assets directly. Trusts embarking on private finance initiatives thus have a considerable gap to fill. The first way they try to do so is by reducing the proposed capacity of the new hospitals...Funds also have to come from reducing service delivery, meaning fewer staff...One way that trusts can fill the affordability gap is through increasing ‘income generation’, which mainly means increasing the number of private beds....Private finance initiatives may inevitably lead to an increase in the private sector and user charges, providing one way for the NHS to shrink to a rump service for the poor. This is almost certainly not the intention of the government, but it may be starting a process that will lead inevitably to that end.”

Ever spiralling public service costs per unit of service are not sustainable and, extrapolating from present paths, are likely to see the end of the public sector as currently known. At the extreme, it is possible to envisage that successful public service organisations, managed in accordance with leading private sector management principles, will increasingly charge for their services and become effectively ‘private’. Other, less glowing but still attractive candidates, will be sold-off, taken over or subsumed by private sector organisations. The remaining ‘uncomfortable’, ‘unsuccessful’ and ‘unmanageable’ public services will be left to provide ‘public’ services that no-one else wants to provide to a ‘public’ that cannot afford, or does not want, to pay for any alternative form of provision. A recent survey by Arthur Andersen of health system experts in Germany lends considerable support to such a hypothesis. The service predicted that, over the next fifteen years, private hospitals would come to dominate the German health system – which historically has had a strong public hospital presence (see British Medical Journal, 15/4/2000:1030). Similar signs are evident in Norway, an economically successful country not noted for
its commitment to NPFM. Here, charges for patients to see their local doctor are reported to have increased by a scale of 40% over the last three years (see British Medical Journal, 1/7/2000: 10).

Levitt and March (1988) discussed how organisational learning may develop into what they labelled as a ‘competency trap’. A competency trap can arise when favourable performance with an inferior procedure leads an organisation to accumulate more experience with the procedure, while experience with any superior procedures is consequently kept at too low a level for usage to be rewarding (Levitt and March, 1988:322). Citing the standard typewriter keyboard and the internal combustion engine for motor vehicles, Levitt and March (1988:323) stress how ‘learning’ organisations (and societies) can often persist with procedures or technologies that are far from ideal:

“Since they convert almost chance actions based on small differences into stable arrangements, competency traps result in organizational histories for which broad functional or efficiency explanations are often inadequate.”

We believe that the above-mentioned scenarios of NPFM procedures are suggestive of the public sector being trapped by a residing, but misplaced, belief in the long-term capacity of NPFM to deliver improved service efficiency/effectiveness. Faced with rising costs of monitoring and evaluation, more frequent and visible service charges and a growing loss of identity, the public service arena looks to be set on a spiral of decline, delivering fewer and fewer services. It is effectively caught in an ‘evaluatory trap.’

**Is There any Way Out of the Trap?**

The ‘evaluatory trap’ is a complex problem. It is not something that can be proved using statistical/costing data (especially given the current inadequacies of such data). It is, however, a concept that captures many of the problems and dilemmas facing the contemporary public sector. It is our intention here to use it to encourage a more informed debate on public services and public service management.
There are different viewpoints as to the seriousness of the issues facing the public sector, with some research emphasising the ability of public sector professionals to survive under NPFM reforms (Farrell and Law, 1999) or the benefits of a new public service ethos stimulated by NPFM (Brereton and Temple, 1999). We also recognise that criticisms of attempts to improve the ‘accountability’ and ‘value-for-money’ of public services can appear unduly privileging or accepting of the skills and knowledge bases of public service professionals. However, the notion of an ‘evaluatory trap’ emphasises the disturbing nature of repeated acknowledgements of unintended consequences associated with NPFM initiatives juxtaposed with repeated calls for further initiatives to close ‘continuing’ formal accountability gaps.

One future avenue is to develop evaluations of NPFM, and this has some significant support in the literature (see Baggot, 1997; Boston, 2001; Broadbent and Laughlin, 1997; Laughlin and Broadbent, 1996; Pollitt, 1995; 1998a; 1998b). For Pollitt, one of the great paradoxes of NPM (and allied NPFM) systems is that they have not been adequately evaluated, even though they derive from a doctrine which has strongly advocated that public services must invest much more heavily in the currency of measurable outputs and evaluation (Pollitt, 1995:135). For us, the crux of Pollitt’s arguments hinges on the notion of ‘adequate’ evaluation. We would agree that the existing quality and degree of ‘official’ evaluations can be improved, ensuring that ‘act of faith’ beliefs in NPFM ideas are not camouflaged as empirically derived conclusions. We would also agree that attempts to ‘talk up’ the practical achievements of NPFM systems be exposed. However, beyond this, there remains the crucial problem that one will never be able to judge the ‘real’ impact of the reforms, as one does not know what the outcome would have been if the reform programme had not been implemented (Pollitt, 1995:144).

Additionally, calls for better evaluation of NPFM reforms tend to assume that one can arrive at a situation in which everyone agrees with an evaluation and accepts its ‘superior’ status. If today’s (limited) evaluations are criticised as being produced by those with an interest in showing positive results, what is there to ensure that more ‘independent’ reports will not be challenged for their selectivity or set against other reports purporting to show the ‘true’ picture? As Boyne (1998:710) recently observed with respect to the practice of compulsory competitive tendering (CCT), “neither the
initial imposition nor the likely abolition of CCT can be traced to a solid foundation of theoretical or empirical support”. If there is no such thing as the ultimate, ‘perfect’, evaluation, it follows that a crucial aspect of evaluation is the way in which the evaluators manage to persuade others as to the legitimacy of their particular assessments and arguments. While a case can be made for less grand-scale financial management reform projects and more pilot testing and more public reporting on such testing (Baggott, 1997:300-301), it would also seem that there is a lot more to talk about than just the need for macro NPFM evaluation.

Instead, a deep need for a genuine discussion regarding the distinction between the private and the public is required. Further, it may also be noted that the term ‘public sector’ is misleading. It may lead to the public sector being thought of in too organisationally specific terms, rather than in terms of common protection, service and support – things we all need in order to survive and develop as individual citizens and as societies? It seems that we need to focus on what, internationally, is special, valuable and undeniable about public services – what are their essential core values, spirit and distinguishing characteristics, relative to ‘private’ sector services? Less willingness should be demonstrated in allowing them to be determined in residual terms. In laying out a policy agenda, Broadbent (1998:420) emphasised the limited nature of past and present policy debate across many different countries:

“There has not been a real debate over policies concerned with the nature of public services. In particular, the first order issue of the boundary between collective and individual responsibility remains relatively unexplored. The overall reform movement has been directed by a rhetorical appeal to more individual responsibility but, on the issue as to where to position the individual/community boundary, policy debates have been limited and policy decisions few. In essence, there has been minimal debate about the services which should or should not be available to citizens – discussions have been more about the existing ways in which ‘public’ services are, or should be delivered. In some respects, the adoption of NPFM represents the application of an unthinking answer to a problem which itself has not been well defined.”
Should discussions about the public sector be more about its core social values than its relative efficiency? How should such values be evaluated? How should they be informing actions? Should (financial or economic) value be placed upon them? What can be learnt from such valuations, especially if the core cannot actually be sold, but can only be used to keep societies together and allow them to be further developed? Is social cohesion, solidarity and caring for the weak best expressed through organisational income statements, balance-sheets and performance indicators?

To end on a more encouraging note, many of the warnings regarding the future prospects for public services and public sector management can be seen to be coming from accounting practitioners and accounting academics. Many accounting-based NPFM reforms do not emanate from the doors of practising accountants. Indeed, research has shown accountants cautioning against the ever expanding number of cost-based performance measures, targets and efficiency drives (e.g. see Carnell, 1999; Chatterton et al., 1996; Wilson, 1999) and stressing the need for accounting systems to generate information that politicians, service recipients, providers and other actors can and want to talk about (see Olson et al., 1998).

Awareness and understanding of the historical traditions and rationales that have underpinned and continue to influence, albeit in varying degrees, different national public sectors and their ‘financial management’ systems need to be promoted – especially in terms of the respective balance given to matters of responsibility and accountability (Lindkvist and Llewellyn, 2000). Failure in such respects will mean that NPFM will prosper and travel more globally than its effectiveness justifies (Guthrie et al. 1999: 222). More also needs to be known regarding the various forces promoting and accommodating NPFM change (Laughlin and Pallot, 1998; Czarniawska and Joerges, 1996).

Pallot (1999:425), when discussing NPFM problems, states that there are ‘no easy answers’ and that it will require ‘innovative, multi-skilled people’ to ‘reinvent accounting’. Our analysis is supportive of this viewpoint, but emphasises that innovative conceptual debate has to take an integrated form, which encompasses accounting but also gives serious regard to the social role and status of public services. This message will be no surprise to the growing number of critical
accounting researchers publishing in accounting journals which lay stress on the social and political dimensions and significance of accounting practices. However, in the fields of public administration and political science, there does seem to be a relative lack of recognition of the significance of the power of accounting-based technologies in processes of public management and governance.

While some writers make reference to the growing reliance on, and sheer scale of, accounting and auditing systems (e.g., see Gray et al., 1993; Gray and Jenkins, 1995; Hood, 1995; Hood et al., 1998; 2000; Rhodes, 2000; Pollitt et al., 2000), too many researchers and leading ‘gurus’ continue to give scant consideration to such matters. In consequence, there remain passionate claims for the language of the buyer and seller, producer and consumer to be removed from the public arena, without any recognition that the (accounting) methods currently being used to deliver accountability to ‘stakeholders’ and ‘citizens’ remain very much the same as under such ‘market’ systems (see Marquand, 1999). There are calls for a more “responsibility-sensitive conception of social democracy” (Vandenbroucke, 2000:48), but no realisation that the ‘modern’, ‘private-sector’ inspired management methods in the public sector continually undermine notions of service responsibility, encouraging talk over action and profit over public obligation. ‘Third way’ politics may want to transform government and the state, to make them ‘quicker on their feet’, benchmarking public service organisations against the best in the private sector and giving more autonomy down the organisational hierarchies (see Giddens, 2000:58-59) – but governments have supposedly been trying to do this for a number of years. Talk of direct democracy experiments, citizens’ juries etc., cannot get away from the fact that so much of the resource allocation process continues, despite all the ensuing problems, to be determined by quite traditional ‘NPFM’ procedures.

Talking about NPFM may not be as glamorous as calling for new modes of social democracy, but it is essential if the public sector is to have a good chance of getting out of its present predicament. Public sector opinion formulators who would regard themselves as being ‘non-accountants’ must start to question their implicit (‘naïve’) faith in the rhetoric of NPFM reform. As Polidano et al. (2000:292, emphasis in original) note, ‘there is an endless regurgitation of ‘lessons’ of varying degrees of practicality without asking why the lessons are ignored time and again’. We have
used the notion of an evaluatory trap to encourage such processes of critical thinking. Above all, it is a notion that should consign to the conceptual scrap-heap any residing ideas of ‘NP FM’ success merely dependant on the elimination of one or two ‘teething troubles’. The organisational impact of NP FM reforms amounts to more than a change of labels (Czarniawska-Joerges, 1996). In terms of unintended consequences, the evaluatory trap is the Big One.
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