

A challenging research agenda on politicians' use of accounting information

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Two quotes

“.....what they (politicians) do not do is pick up performance reports, read them carefully and set out directly to apply their findings to the reformulation of policy or the better management of programmes. This kind of direct instrumental use evidently happens rarely.... The reports are there and can be picked up in those (hopefully rare) cases where there seems to have gone something wrong..” (Pollitt, 2006, p. 49).

“...Research (has to be) based upon a wider, holistic view of information. There would need to be a consequent shift in the focus of research from an examination of the information sources and systems used by the information seeker to an exploration of the role of information in the users' everyday life in his work organization or social setting.” (Wilson, 2006, p. 666)

Aims and preview

- In his review paper about public sector performance management research, Pollitt (2006) signalled about ten years ago that politicians are the missing link in this research
- My goals are:
 1. To give a critical reflection upon the academic studies that have been published in the last decade about politicians' use of accounting information
 2. To present suggestions for a challenging research agenda, including relevant themes as well as methodological and theoretical approaches to address these themes

A comparative analysis of studies on politicians' use of accounting information

- **Four studies have been selected, conducted in four different European countries**
 - Two are about accounting information (financials), coming from Italy and Flanders (Belgium)
 - Two are about performance information, one from the Netherlands and the other from Norway
- **All studies are solid pieces of research; it is therefore not their research quality but their “relevance” that will be discussed**

Two studies about financial information use

Liguori, Sicilia and Steccolini (2012), survey,
Italian aldermen

- Importance of financial items (1-5, 5 = **very important**), selection of items
- *Revenues and funding sources* 4.3
- *Capital expenditure by destination* 3.9
- *Budgetary surplus/deficit* 4.0
- *Liability* 3.5
- *Assets* 3.4

Buylen (2014), observational study, Flanders, councillors

- Frequency in number of 122 budgetary debates
- 2%
- 0.8%
- 1% 
- 1.2%
- 0.1%

Why are these findings so different?

- Are Italian politicians better educated and more experienced than their Flemish colleagues?
 - Not likely
- Do aldermen in Italy score higher than councillors in Flanders?
 - Possibly, but only to some extent; the Italian study is not only about alderman with a financial portfolio but about all 'types' of aldermen
- The main reasons for these differences are in my opinion:
 - The Italian study investigates appreciation or usefulness, while the Flemish study examines use
 - The Italian study is based on a survey and the Flemish study on observations regarding politicians' actual behaviour

Conclusions about this comparison

1. The appreciation or perceived usefulness of financial items is much higher than the actual use of these items
2. Surveys overestimate the potential use of financial items in comparison with observational studies
 - So, it matters what you ask and how you measure
 - Moreover, researchers are encouraged to avoid text book accounting vocabulary in surveys meant for non-professionals in accounting
 - These conclusions have been corroborated in a recent study about the appreciation and use of improved budgetary information by politicians in a Dutch province (Ter Bogt, Van Helden and Van der Kolk, 2015). Also here the newly established performance budget was highly appreciated, whereas its actual use was minimal.
 - There is not so much research on financial information use by politicians; noteworthy are studies by Ezzamel and colleagues (2005, 2008) about the financial information use in devolved governments in the UK, especially Hyndman's work about the Northern-Ireland assembly; see also Paulsson (2011) about Swedish central government and Yamamoto about central government in Japan

Two studies about performance information use

Ter Bogt (2004), survey, Dutch aldermen

- Use of performance information in budgets (1-5, 5 = very important)

- *Average score of use 2.7*

- *More important information sources:*

- Informal verbal contacts

- *Less important information sources:*

- None

Askim (2007), survey, Norwegian councillors

- Importance and use of performance information (percentages)

- Average score importance appr. 70%
- Average score of use 43%

- *More important information sources:*

- Party programmes

- *Less important information sources:*

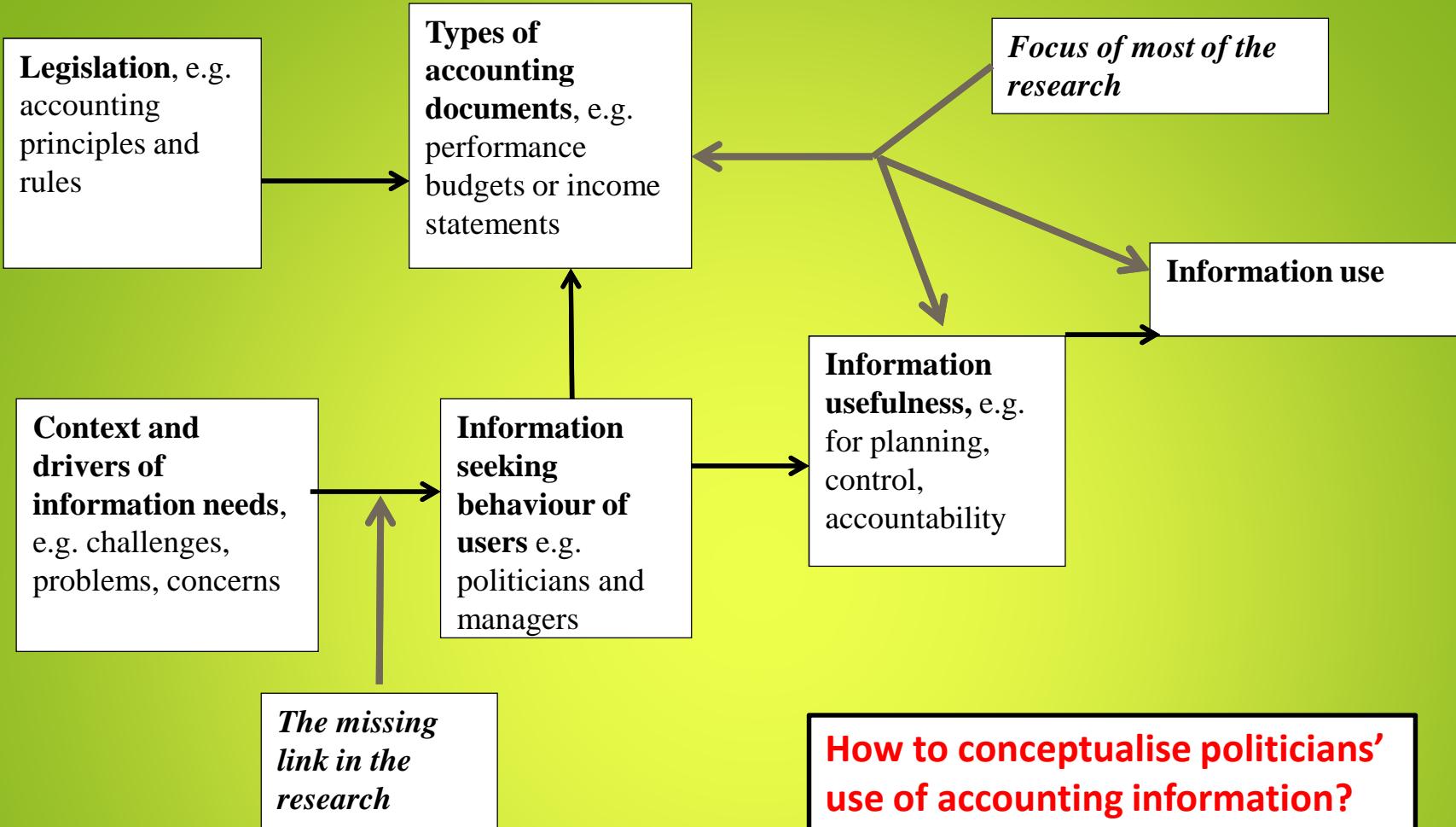
- National benchmarks

Conclusions of this comparison

- Askim's study seems to suggest that politicians are quite active users of performance information, whereas Ter Bogt's findings seem more sceptical
- However, bear in mind that findings about the usefulness and use of performance information depend on:
 - The types of alternative sources of information: i.e., informal contacts in Ter Bogt's study and party programmes in Askim's study
 - The appropriate target formulated, i.e. what is the boundary between "good" and "bad" : is 2.7 on a 5-points scale relatively bad (Ter Bogt) and 43% (Askim) relatively good?
- A central issue is therefore: framing matters when interpreting (survey) findings

Overview of other performance information research

- The use of performance information is a more popular theme than the use of financial accounting information
- Various studies recently conducted on politicians' use of performance information are: Ezzamel et al., 2005; Brun and Siegel, 2006; Jansen, 2008; Raudla, 2012; Saliterer and Korac, 2013; and Grossi, Reichard and Ruggiero, 2015
- There are even more studies about the use of performance information by managers in the public sector, for example: Cavalluzzo, and Ittner, 2004; Melkers and Willoughby, 2005; Moynihan and Panday, 2010; Torres, Pina and Yetano, 2011; Kroll, 2013; Speklé and Verbeeten, 2014; Von Hengel, Budding and Groot, 2014 (some studies are mixed, political-managerial)
- Big names:
 - Moynihan, Melkers/Willoughby, Poister/Streib in the US
 - Van der Walle, Van Dooren and Verhoest in Flanders
 - Boyne's research group in the UK



How to conceptualise politicians' use of accounting information?

Research has to shift its primary focus on accounting documents to the question how politicians are driven to make specific types of decisions that may generate certain information needs for financial or performance information

Challenging research agenda for the future

- Three themes:
 1. *Accounting for problem solving*
 2. *The role of financial specialists in party delegations*
 3. *Accounting documents as part of the organization's hygiene*
- Each will be elaborated, including notions about theories and methods

Theme 1: Accounting for problem solving

- Broadly speaking three types of problems, for which the role of accounting information for politicians can be investigated:
 1. Well-structured problems: accounting for calculation, e.g. costing for pricing according to standard procedures, usually perceived by politicians as rather tedious issues
 2. Ill-structured problems → feelings of discomfort (about the possible serious over-expenditures in current programmes or projects, or about new uncertain developments): accounting for debate and dispute
 3. Problems of accountability → why was not achieved what was promised, who is to blame?: accounting for framing
- I support the idea of DeMaj and Summermatter (2012) that rather than the average or normal cases, the extreme cases shed light on how and why information is used

Theme 1: Accounting for problem solving (cont.)

- Preferred methods, especially in the case of problems 2 and 3:
 - Observational studies, alongside with interviews
 - Surveys, however, are less appropriate, due to the disadvantage of over-simplifying complex problems (see earlier analysis)
 - Interventionist research, which specifically emphasises the problems of practice and contributes to academic knowledge building (see Suomala, et al., 2014 about interventionist research in accounting)
- Theories:
 - Institutional theory (Modell, 2009) and contingency theory (for example, Cavalluzzo and Ittner, 2004) are dominant
 - My plea is to consider using theories which better connect to the theme:
 - Theories about decision making under conditions of bounded rationality (Simon, Cyert/March, 1960s)
 - Possibly Actor-Network theory (Christensen and Skaerbaek, 2007)
 - Theories of speech, as speech is one of the main working tools of politicians (Green's, 2004 ideas about rhetorical diffusion)

Theme 2: The role of financial specialists in party delegations

- The main question is how the financial insiders, the specialists, share their knowledge about financial issues with outsiders (see Hyndman, 2005, 2008 for this distinction)?
- Several roles of the financial specialists can be distinguished that determine the way in which information is distributed among colleagues:
 - *The supportive financial adviser*
 - *The shadow watchdog*
 - *The financial mystery man*
- This theme requires a non-participant observational approach, which should be directed at both formal and informal party delegation meetings, so also behind the scenes of official Council or Council (parliamentary) Committee meetings
- And since the nature and urgency of politically relevant problems - for which financial information is required - are subject to change over time, a longitudinal approach is also needed (ANT could be appropriate here)

Theme 3: Accounting documents as part of the organization's hygiene (Herzberg, 1968)

- A lack of proper accounting information – relevant, comprehensive, accurate and timely – may inconvenience politicians, but good or better accounting information does not automatically motivate them to use this knowledge. Other triggers, especially problems that need solving (see earlier), play a much larger role in their desire for information. These are the motivators.
- Implications:
 - To politicians, proper accounting information on a minimum level is a kind of insurance of good governance
 - Improved accounting information (accrual instead of cash, output instead of input information) does not automatically lead to more intensive accounting information use
 - Educating politicians in the use of accounting information is not per se an adequate measure for an effective use of this information ; however, challenging research concerns the approaches and content of such training efforts in specific settings
- This theme challenges the idea that technically more advanced public sector accounting is always an improvement

Closing notes

- My message is a plea to focus our research on finding an appropriate match between political problem solving and accounting information
 - With respect to accounting information, this is primarily a matter of relevance, or purposeful content, but other dimensions of information reporting, including its form and timing, also have to be taken into account
- Politicians are not the only potential accounting information users
 - NPM particularly gives managers a pivotal role in steering and controlling organisations or organisational units, while accounting information is a major component of their managerial repertoire
- My research agenda is challenging but also risky
 - Case-based studies on political decision making, a process in which accounting information is assumed to be used to some extent and in some ways, are less well-structured, and therefore more complicated to conduct, and there may not be a straight route to getting their results published
- **However, being engaged with and contributing to relevant research goals, both for practitioners and scholars, is what should drive us, at least in my opinion**