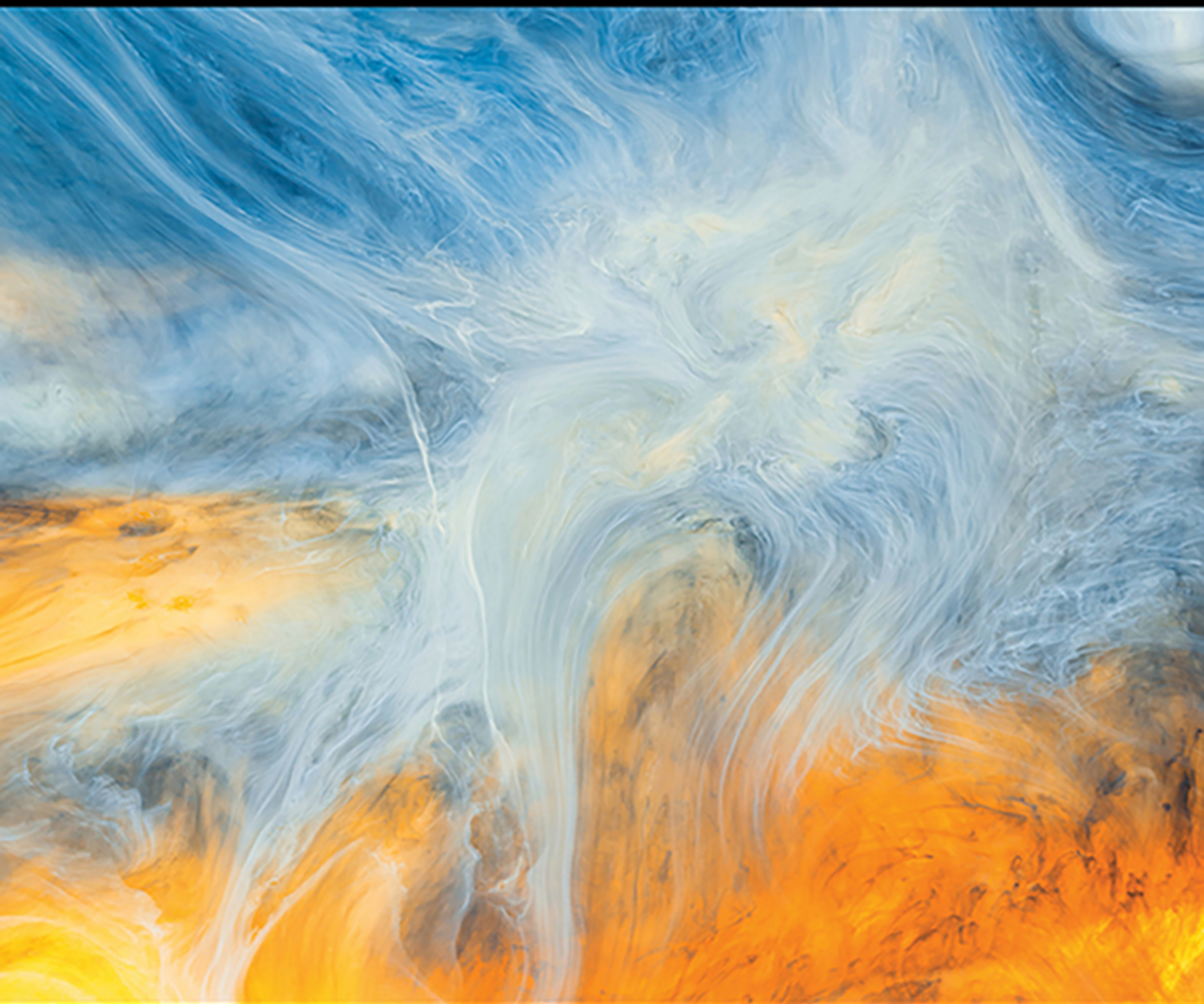


HANDBOOK OF
**Accounting and
Public Governance**
Exploring Hybridizations



Edited by
Giuseppe Grossi • Jarmo Vakkuri



RESEARCH HANDBOOKS ON ACCOUNTING

HANDBOOK OF ACCOUNTING AND PUBLIC
GOVERNANCE

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Handbook of Accounting and Public Governance

Exploring Hybridizations

Edited by

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Preface

We are inter-disciplinary accounting scholars who are interested in complex, even messy and yet unprecedented links and combinations between things. In economic life that is ripe with idealistic notions and assumptions of rationality, optimality and social order, this position has led us to explore issues that are not always well matched with such idealistic variations of rationality. Rather, making sense of what is actually happening in organizations and institutions requires the critical scrutiny of mismatches, be they “inefficiencies”, “ambiguities” or “deviations”. Moreover, as scholars we are, or given the topic of our *Handbook* we almost have to be, open to an inter-disciplinary mindset accepting that to understand important global phenomena, complementarity of different scholarly orientations and simultaneous contributions from several academic tribes are needed. Not necessarily in all topics, but in those that clearly transcend the borders of our highly specialized disciplinary-based systems of scientific knowledge production.

In accounting, there is a myriad of phenomena the understanding of which benefits from our perspective. Perhaps this is why we have covered, for instance, distinct forms and complexities of accountabilities, accounting regulations and standards, obscurity of audit systems and ambiguities in performance measurement and reporting. Furthermore, in governance and management the same applies, to an even more significant extent. We have addressed, for instance, aspects of hybrid governance and organizations, public sector reform policies, digital transformation, smart cities and sustainable urban policymaking, as well as uses of accounting and management models in such constellations.

For us, this book continues and further extends our intellectual endeavour to add two pieces, accounting and public governance, together to discuss the impacts of public governance development and hybridization on accounting, but also the other way around, to understand more fully the impacts of accounting(s) on how changes of public governance can be comprehended. To connect accounting, public governance and hybridization together is to critically question the role of accounting and accounting research in all of this: are accounting theories, standards and practices good enough and fit for purpose to be applied for addressing complex, multi-lateral and multi-actor problems of public governance? We wanted to emphasize three important governance modes: network governance, collaborative governance and digital governance, not only because they paraphrase some crucial developments in current societies, but also because these modes of governance constitute special contexts for accounting research. On the horizon, we see important potential opportunities for new innovations, and re-conceptualizations, but also new serious, hitherto unanswered questions regarding coping with value conflicts and compromises in policies and agencies, hearing the multiple voices of constituencies, stakeholders and citizens, as well as acknowledging the risks of digital transformation, algorithms and artificial intelligence technologies possibly taking over the powers to define public value or the characteristics of common goods.

Our mission with the book is also to cover a broad spectrum of topics and perspectives of public sector accounting. More than ever before, it is time for researchers to become knowledgeable about public governance development in this era of pandemics, global sustainability problems, wars and other forms of turbulence and emergencies, as well as to become aware of

the respective accountability, budgeting and reporting problems. We need inter-disciplinary intellectual tools for comprehending what is going on and why, and how the crucial multi-faceted processes may be influenced and controlled. The cases that the volume presents originate from different parts of the world, and do not only serve as illustrations of modern accounting practices. We also see them as excellent manifestations of collaborative and most inspiring scholarly effort to conduct research together in a multi-disciplinary environment, and to contribute to a more profound and eloquent understanding on accounting and public governance. This is why we wished to facilitate an edited volume and to create sufficient space for experimenting with new contexts of inquiry.

As always, research work includes numerous concurrent processes, each of which has a bearing on the others. There are two parallel processes that have been of particular importance to us.

First, these research interests of ours have resulted in several collaborative efforts; for example, editing special issues in different journals (*Accounting, Auditing & Accountability Journal*; *British Accounting Review*; *Critical Perspectives on Accounting*; *International Journal of Public Sector Management*; *Journal of Public Budgeting, Accounting & Financial Management*; *Public Management Review*; *Public Performance & Management Review*, and *Public Money & Management*).

Second, this edited volume is one result of long-term collaboration amongst colleagues worldwide from different disciplines. An important outcome of those efforts is the Special Interest Group (SIG) network Governing and Managing Hybridity that, together with a large group of interested scholars, we established in 2018 in the context of the International Research Society for Public Management (IRSPM). With this book, we are most pleased to contribute to the work of that network and also to other scientific networks, including Asia-Pacific Interdisciplinary Research in Accounting (APIRA), the Association of Budgeting and Financial Management (ABFM); Comparative International Governmental Accounting Research (CIGAR) and the European Group of Public Administration (EGPA), in Europe and elsewhere interested in exploring how public governance development influences accounting practices.

Giuseppe Grossi and Jarmo Vakkuri

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We are truly grateful to our colleagues, co-authors and reviewers for contributing to this inspiring research effort. In compiling a large *Handbook* like this, we were pleased and fortunate to have a group of authors with such high commitment and dedication to the project. Furthermore, this has made it possible to incorporate the rich variety of accounting and governance topics, and to nurture different disciplinary backgrounds and orientations. It has been our utmost pleasure to collaborate with you all. Our sincere thanks.

During the past few years, several accounting and public management journals (*Accounting, Auditing & Accountability Journal*; *Accounting Forum*; *British Accounting Review*; *Journal of Public Budgeting, Accountability & Financial Management*; and *Public Money & Management*) have provided active, lively forums for launching and publishing special issues on hybridity, hybrid governance and organisations, and for contributing with novel theoretical and practical findings to the interdisciplinary debate on public governance, accounting and hybridizations. We highly appreciate this collaboration. Furthermore, the Special Interest Group (SIG) network Governing and Managing Hybridity has been an extremely valuable setting for exchanging ideas on hybrid governance and organisations, and for facilitating innovative theoretical links between accounting and public governance. This community, with colleagues from different career stages, has become an important inspiration for research ideas. We are indebted to all of you who have been active members of the community.

We also wish to thank Tamara Volodina for her assistance at different stages of the book project. Special thanks for your dedication, contribution and invaluable assistance in the technical completion of the book.

Finally, we want to share our gratitude to our home universities, Kristianstad and Nord University, and Tampere University. Our research environments and groups (e.g. GRIP, HYBRIDART, MACE, HYPER, BRIDPOL and the Research Group on Public Financial Management) have been a great resource for our thinking, and even more importantly regarding the emphasis of our book that we wanted to imbue with inter-disciplinary orientations and several scholarly backgrounds. Heartful thanks to the colleagues at all our universities and research groups for the discussions and debates proving food for intellectual thought, and joy in our lives.

Abbreviations

AGA	Association of Government Accountants
AI	Artificial intelligence
AVE	Average variance extracted
BDCP	Barcelona Digital City Plan
CFS	Consolidated financial statements
CMEs	Coordinated market economies
CNCP	Portuguese standard-setter committee
COSO	Committee of Sponsoring Organizations
CSR	Corporate social responsibility
CSRD	Corporate Sustainability Reporting Directive
DOE	Department for Education of the UK
e-PB	E-participatory budgeting
EC	European Commission
EFRAG	European Financial Reporting Advisory Group
FDI	Foreign direct investments
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Financial Officers Association
GFS	Government finance statistics
GPB	Green participatory budgeting
HTMT	Highest heterotrait-monotrait
ICT	Information and communication technologies
IFRS	International Financial Reporting Standards
IFSA	International Foundation for Social Adaptation
KPIs	Key performance indicators
LDA	Latent Dirichlet allocation
LMEs	Liberal market economies
MBO	Management by objectives
MFA	Ministry of Foreign Affairs of Norway
MoD	Ministry of Defence of Ukraine
MoE	Ministry of Education of Ukraine
MoH	Ministry of Healthcare of Ukraine

MoSP	Ministry of Social Policy of Ukraine
MoV	Ministry of Veterans Affairs of Ukraine
NDPB	UK non-departmental public body
NFR	Non-financial report
NFRD	Non-Financial Reporting Directive 2014/95/EU
NGOs	Non-governmental organizations
NPG	New Public Governance
NPM	New Public Management
NPOs	Non-profit organisations
NU	Nord University
PAP	People's Action Party
PB	Participatory budgeting
PFI	Private finance initiatives
PG	Participatory governance
PISA	OECD's Performance in School Assessment System
PMS	Performance measurement system
PoB	Popular budgeting
PPP	Public–private partnership
PR	Popular reporting
SDGs	Sustainable Development Goals
SEs	Social enterprises
SO	Strategic objectives
SOEs	State-owned enterprises
SPB	School participatory budgeting
SPs	Social partnerships
SRMR	Standardized root mean squared residual
ToC	Theory of change
UGD	User-generated data
UN	United Nations
USSR	Union of Soviet Socialist Republics
VHO	Vastuullinen hoito-organisaatio (Finnish term for an accountable care organization)
WGA	Whole-of-government accounts
YCC	Youth City Council
YPB	Youth participatory budgeting

1. Introduction to the *Handbook of Accounting and Public Governance*

Giuseppe Grossi and Jarmo Vakkuri

Public governance introduces the need to revisit and redefine evolving boundaries of public sector organisations. Conscious that hybridisation of public organisations is growing, public governance is becoming more inclusive and interactive but also more complex and multi-lateral. As a result of these ongoing changes and challenges, the boundaries of public sector accounting have become blurred, which influences the fate of public sector accounting, posing new questions regarding how to understand, theorise and develop accountability, performance measurement, budgeting and reporting practices to preserve and restore public value. This *Handbook* represents and discusses public governance as a core theme of contemporary global research in the academic disciplines of public administration, public management and accounting. Leading theoretical and empirical debates affecting the field of public sector accounting emerge from these disciplines. As so often in vivid and vibrant scholarly fields, scholarship on the themes is highly diverse, following various paths, and it is not frivolous to demarcate the borderlines between the different disciplines. The *Handbook* collects contributions on theoretical developments, core research topics and empirical applications for the most important accounting practices, and seeks to explore key concerns across those areas. With this approach, the *Handbook* provides an overview of the state of the art in the field and calibrates the scope of research on accounting and public governance.

PUBLIC GOVERNANCE IN MOTION

Contemporary public governance has been influenced by the reforms and changes of governments' roles and activities in the 1980s and, thus, can be partly considered a politico-institutional response to the New Public Management (NPM)-oriented developments (Osborne, 2006). While one important focus of NPM has been on individual organisations' outputs (result-orientation), more recent public governance development has emphasised impacts and results, especially from collaborative efforts (Almqvist et al., 2013). Public governance highlights that the management of public resources and the provision of public services happen in complex contexts, characterised by a network of public service providers and by many stakeholders.

There is an important and intensive discussion on how forms of governance represent public values (e.g., democracy, transparency and trust), maintaining that public sector organisations differ from private for-profit organisations and that the public sector should not be run as a private company (Bozeman, 2007; Grossi and Argento, 2022; Page et al., 2015). Public governance is based on the idea that public sector organisations use knowledge from societal actors to improve the quality of public services and make better use of information dispersed among various actors (Klijn, 2012). It emphasises the design and evaluation of lasting inter-organisational relationships, where trust and public values act as the core governance

mechanisms (Osborne, 2006). Public governance itself can be considered from various angles and a variety of meanings, especially in terms of the involvement of the wide range of actors (state and non-state) who have different visions, values and ambitions (Rhodes, 2017).

The principal value delivered by public sector organisations is the achievement of the politically mandated mission of the public agencies and systems and the fulfilment of citizens' aspirations that are reflected in that mandate. Accordingly, public governance models need to balance democratic public values and efficiency. Notably, the value of government bureaucracies is not well measured by financial performance (Moore, 2014). Thus, defining what public value is, or public values are, is indeed a challenging issue (Bozeman, 2007; Moore, 1995); consequently, the accounting and accountability implications are difficult to detect and manage. According to Moore (2014), the most problematic area of public value is measurement.

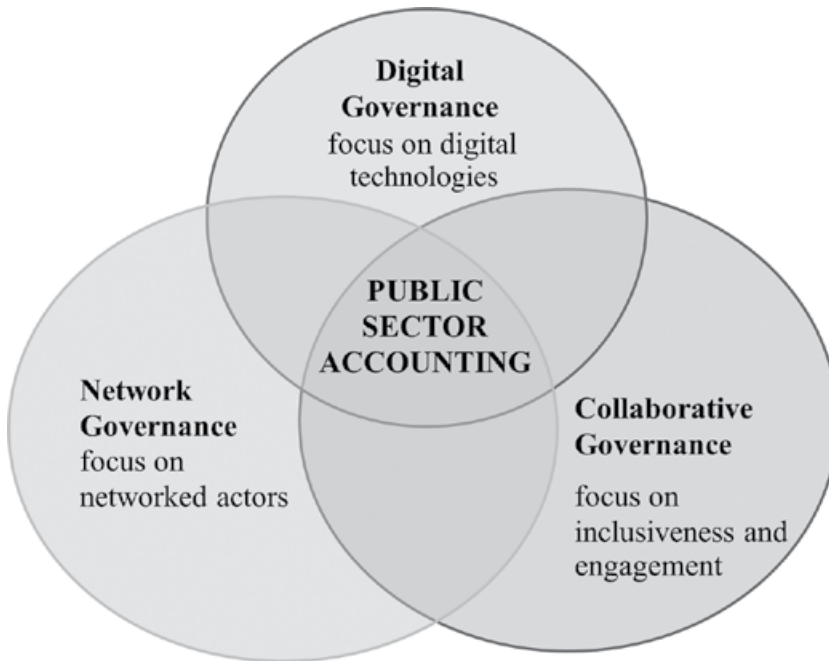
Public governance literature has grown in the fields of public management and public administration over the years. Three influential co-existing models of public governance characterise its development: network governance, collaborative governance and digital governance (Torfing et al., 2020). These models form both a layer cake – with distinct public governance models, each focusing on a specific dimension of public value creation, whether network actors, stakeholders' involvement or digitalisation – and a marble cake, with hybrid forms of public governance (Torfing et al., 2020), relying on several actors' (public, private and civil society) roles in value creation (Moore, 1995; Vakkuri and Johanson, 2020). The co-existence of different models of public governance also has an impact on how public sector accounting is implemented and used to define, design and disclose multiple values for different stakeholders. The objective of this *Handbook* is to discuss public sector accounting at the crossroads of these models of governance, as visualised in Figure 1.1, and to further explore the impacts of hybridisation on how the connections between accounting and public governance could be more eloquently theorised.

Being interrelated, each form of governance respectively reflects the position of a certain factor: organisations, people and technologies – as these are the main factors related to the public governance paradigms.

Network Governance

Network governance focuses on inter-organisational cooperation and facilitation of the flow of resources among different actors. The increasingly complex set of problems that public administrators deal with has created demand for new innovative approaches based on cooperation between different levels, organisations and sectors (Kettl, 2006). National governments have delegated more tasks to regional and local governments, state-owned enterprises (SOEs), private companies, non-profit actors, foundations and other federal agencies (Rhodes, 1994, 1997), thus significantly increasing hybridity across government, business and civil society (Grossi, Vakkuri and Sargiacomo, 2022; Vakkuri et al., 2021), as well as entailing a shift from “government” to “governance” – from hierarchical to network-based decision-making and management (Milward and Provan, 2003).

Network governance is based on a pluralistic vision of the state and grounded in the idea of interdependent networks of actors providing public services (Peters and Pierre, 1998). It focuses on the multiple relationships, binding the government to various external actors, that can take place through public–private partnerships (PPP) and policy networks (Chapter 2 in



Source: Grossi and Argento, 2022.

Figure 1.1 Public governance and accounting

this volume; Skelcher, Sullivan and Jefferes, 2013). An increasing number of networks of nongovernmental organisations, quangos, non-profit organisations (NPOs), PPP and other hybrid organisational arrangements has materialised (Peters and Pierre, 1998). The broader range of actors engaged in public networks (such as governmental agencies but also corporations and foundations) has generated the need for new accounting tools because the use of networks leads to a blending of public and private sector resources, as well as the encountering of different interests.

Network governance empowers the mobilisation of resourceful actors within a framework of rules and norms and enables diverse target groups utilising fewer resources to be reached. Network governance can be assimilated with multi-organisational governance, in which different organisations from both the state and the market are present (Provan and Kenis, 2008). Developing modes of network governance incentivise public sector accounting research and practice to seriously rethink its scope and boundaries, with respect to budgeting, performance measurement and reporting.

Collaborative Governance

While network governance closely concentrates on the actors and their contribution to the network's goals, collaborative governance relates more closely to individuals and aims to explicitly focus on citizen involvement. Collaborative governance is concerned with new ways of citizen participation (via, for example, deliberative democracy and consultation forums

and arenas involving citizens and users), working together to decide how citizens' needs will be met and how public services can improve their quality of life. Citizens can also be more directly engaged in public decision-making, including strategic, urban and financial planning (e.g., Ansell and Gash, 2008; Fung, 2006; Torfing et al., 2020).

Collaborative governance directs its primary focus onto the collective activity of public and private actors, together within a consensus-oriented process of making decisions in common forums with public institutions (Ansell and Gash, 2008). Embracing a variety of relationships and initiatives across organisational boundaries, collaborative governance can be applied to capture the relationship between the state and non-state stakeholders, including the participation of citizens, as individuals and organised groups, who are directly involved in decision-making and, thus, contribute to the policy outcomes (Ansell and Gash, 2008). Helping to address public challenges, the ultimate goal of building this collaboration is the production of public value (Page et al., 2015).

Collaborative governance welcomes hybridised multi-actor constellations and decision-making practices, including dialogue and the involvement of civic society and citizens, and the collaboration of public, private and non-profit organisations supporting citizens' engagement. Transcending sectoral boundaries of government, business and civil society through collaborative mechanisms is seen as a natural step towards enhancing democratic values. Collaborative governance requires policies and instruments to advance public sector accounting practices towards multiple values, intelligent forms of accountability and more sophisticated reporting systems better tuned to citizens' needs and expectations (Chapter 4 in this volume; O'Regan and King, 2009).

Digital Governance

The public sector has faced calls and institutional pressures to digitalise its work practices and to move towards "digital governance" (Dunleavy et al., 2006). Digital governance is mainly focused on the governance of technologies, shaping the digital space in which citizens and government operate (Margetts and Dunleavy, 2013). It aims to empower strategies to improve organisational performance through the advanced use of information and communication technologies (ICT). Promoters state that digitalisation is important for the reintegration of functions into governmental spheres, the adoption of needs-oriented structures, and the progression of administrative processes and digital public services.

The digital governance literature is growing and, despite being a multifaceted phenomenon, significant emphasis has been placed on the promises and potential benefits that technological advancements can make in the delivery of better services. Digital governance refers to the use of different forms of ICT that offer the possibility of more efficient, transparent and effective government, while challenging traditional models of public administration, management, organisation, accountability and engagement (Gil-Garcia, Dawes and Pardo, 2018; Margetts and Dunleavy, 2013). But these positive challenges have remained underserved due to growing digital divides, while some online users have started experiencing negative psychological effects – such as stress, irritability, worry and guilt – that have endangered their mental health (Andrew et al., 2020; Parker, 2020). Segregation and loneliness prosper in our digital society as never before, with increasing numbers of social media users feeling alone, even when connected (Hinings, Gegenhuber and Greenwood, 2018; Knudsen, 2020). There are also examples of failures related to the effects on human actors' everyday lives in several ways, as

public service delivery becomes more expensive, less sustainable and of more inferior quality (Grossi and Argento, 2022; Grossi, Meijer and Sargiacomo, 2020).

Digital governance asks us to consider new models of dialogue and hybridised forms of collaboration among actors and stakeholders from different sectors of society, to fulfil its purpose (Meijer and Rodríguez Bolívar, 2016). Digital technologies have the power to support the co-creation of public values, thanks to their collaborative and horizontal nature (Criado and Gil-Garcia, 2019). However, it is not clear how and to what extent this will take place, which makes this an extremely important research topic in accounting. Furthermore, digitalisation and governance through algorithms creates highly complex, often unprecedented, problems of accountability and power relations, due to the emerging interaction between human vs non-human agency (Chapter 3 in this volume; Gritsenko and Wood, 2020).

PUBLIC GOVERNANCE THROUGH THE HYBRIDITY LENS

With the sub-title of this *Handbook*, “Exploring Hybridisations”, we seek novel understanding on how to mingle three elements together: accounting, public governance and hybridisation. While “accounting” constitutes the ultimate object of our examination and “public governance” denotes a politico-administrative context where respective accountings are instantiated, “hybridisation” provides an overarching viewpoint to understand the collaborative, inter-institutional, cross-sectoral and society-wide dynamics of public governance. In the book, the hybridity perspective refers to the institutional interplay and interactions among public, private and civil society via distinct modes of ownership, parallel but often competing and even conflictual institutional logics, diverse funding bases and various forms of social and institutional control (Vakkuri et al., 2021).

The book will address several of these interactions (Grossi et al., 2017; Skelcher and Smith, 2015), including:

1. Mixed ownership entities, such as SOEs, pursuing politically driven goals while exploiting business logics and operating in global markets or municipal corporations, operating at both the macro-level interface between governments and markets and the micro-level interface of external control mixes through varied ownership schemes (Krause and Schwiatczak, 2020).
2. Competing, even conflictual logics of institutional action. For accounting, an important tension exists between the logic of profit-seeking vis-à-vis the pursuit of the public value ethos and social impacts. This may concern non-profits, attempting to “do well by doing good” and trying to find measurement surrogates for making those competing constellations calculable (Nicholls, 2009), or sustainable development efforts in cities balancing market, public and social value among businesses, local governments and citizens (Karppi and Vakkuri, 2020).
3. Multiplicity of funding arrangements between public and private actors. This includes, for instance, PPP arrangements in public service delivery and large mega-projects (e.g., the Olympic Games), with complex multi-level schemes of valuation, accounting and measurement (Hodge and Greve, 2009).
4. Diversity of financial and social control forms. These include, for instance, regulatory control of the markets, professional self-control, human and non-human control of algo-

rhythmic governance, and customer-driven market control within a single service delivery system (Kitchin, 2021).

5. Hybridity mixing professional spaces. Hybridity manifests itself in identities, decisions and practices by real people in institutions; for instance, managers, experts, policy officials or professional workers (Noordegraaf, 2007). Reciprocity is involved; while institutional hybridity changes professional day-to-day practices, professionals themselves shape hybridity through their individual choices.
6. Hybridity obscuring human versus non-human agency. The contemporary digitalised world compels us to extend our notion of “institutional” hybridity to the interfaces between human and non-human agency. Algorithms, machine learning and other digital artefacts make it complicated to fully understand who is accountable and to whom (Gritsenko and Wood, 2020). The tools are not merely producing “impacts” on the social processes and behaviours. Creating new forms of hybridity, the tools join the process and partly make the social processes what they are.

The authors of the book are interested in conceptualising the role of accounting in reflecting on and contributing to meeting the current and prospective needs of hybridised public governance.

STRUCTURE AND PROCEEDING OF THE BOOK

The *Handbook* is divided into five parts, beginning with the theoretico-conceptual underpinnings of the topics (Part I) and continuing with the most important themes of accounting in the context of hybridised public governance: accountability (Part II), budgeting (Part III), performance measurement (Part IV) and reporting (Part V). The structure of the individual chapters follows the overall mission to discuss accounting in the context of network governance, collaborative governance and digital governance. Therefore, each chapter in the different parts of the book provides a unique scrutiny of an accounting topic, the form of public governance and an exploration of the hybridity perspective. For instance, Tomi Rajala et al.’s chapter (Part II, Chapter 5) examines the topic of accountability in the context of network governance and provides explorations on the hybrid modes of accountability. It should be noted that, based on their distinct research design and theoretical frameworks, different chapters discuss the hybridity perspective to different degrees. Acknowledging the fairly brief history of hybridity research in the field of accounting, this has been the conscious choice of the editors to nurture the rich variety of viewpoints for the *Handbook* (Grossi et al., 2022; Vakkuri et al., 2021).

The first part includes the theoretico-conceptual underpinnings of the book. Jan-Erik Johanson and Jarmo Vakkuri (Chapter 2) create an overarching conceptual framework to understand networks and their governance from the hybridity perspective, by locating networks with respect to other levels of hybrid institutional action: those of organisations and the society. Tero Erkkilä (Chapter 3) explores rapidly changing modes of digital, algorithmic and numerical governance in public services that reshape the governance problem into a form where multiple accountabilities refer not only to multiple (human) actors but also to algorithms, machines, codes and other technological artefacts. Evgenii Aleksandrov (Chapter 4) analyses the theoretical misfit between accounting promises and their realisations in understanding collaborative forms of governance, participation and the urgent need for more pluralistic examination of dialogic mechanisms of accounting.

Part II consists of chapters related to the accountability topics. Tomi Rajala, Petra Kokko, Harri Laihonen and Elias Pekkola conceptualise the emerging hybrid modes of accountability in the context of network governance, by associating hybrid accountabilities of two variants with an empirical case of a public-private welfare service network (Chapter 5). Veronika Vakulenko, Anatoli Bourmistrov and Olga Iermolenko examine the characteristics of social accountability schemes though formal and informal, and vertical and horizontal, accountabilities in the setting of collaborative social partnerships (SPs), with an empirical case of an international development project between Norway and Ukraine (Chapter 6). Olga Welinder discusses accountability mechanisms and relations in digitalised governance by conceptualising interactive and multilateral components of accountability in the empirical context of a Finnish digital platform, Sitoumus 2050 (Chapter 7).

The accounting topic of Part III is budgeting. In their chapter (Chapter 8), Tjerk Budding and Vera van Schie discuss the changing role of budgeting in the hybrid setting of Dutch local municipalities, where municipalities contract out service delivery while struggling to produce relevant performance information for budgetary decision-making. Lotta-Maria Sinervo, Pauliina Lehtonen, Katarzyna Radzik-Maruszak and Carol Ebdon illustrate institutional pressures and imperatives for changes in traditional public budgeting systems and discuss the adoption of participatory budgeting (PB) mechanisms in Finland, Poland and the USA (Chapter 9). The chapter by Giorgia Mattei, Valentina Santolamazza and Martina Manzo connects digitalised governance and citizen engagement through comparative analysis of PB systems and practices in Rome and Barcelona (Chapter 10).

Part IV is associated with performance measurement. It includes a chapter by Åge Johnsen and Paul Brakstad Waters (Chapter 11) regarding performance measurement and management in schools where school performance is analysed as a multi-level constellation of governance, including networks of agencies that operate at different societal levels and contribute to performance from different angles. In their chapter (Chapter 12), Michele Andreus, Akylai Anarbaeva and Caterina Pesci investigate and critically reflect on the possibilities and limitations of performance measurement systems (PMS) in collaborative participatory governance through mixing the characteristics of mutuality, hybridity and participation in the context of an insurance company. Chapter 13, by Deborah Agostino and Paola Riva, demonstrates the hybridisation of digital forms of PMS with algorithm-based models, which incentivises unique gaming logics in the empirical context of Italian museums.

Part V introduces the problems of hybridised public governance in the context of public sector reporting practices. This part begins with a chapter by Danny Chow and Elaine Stewart (Chapter 14), who analyse consolidation statements as intended reporting solutions to the problem of network governance and, using illustrative evidence from the UK and other countries, reflect on the incentive problems of consolidated reporting. Luca Bartocci and Silvana Filomena Secinaro discuss popular reporting (PR) as a mechanism to enhance the transparency of the public sector and citizen engagement, by facilitating argumentations regarding the applicability of PR systems of today (Chapter 15). Silvana Filomena Secinaro, Valerio Brescia and Davide Calandra explore the potentials and limitations of distinct modes of internet reporting, by analysing the preconditions of the new types of strategic partnerships and forms of dialogue between governments and citizens (Chapter 16).

Finally, the chapter by the editors, Jarmo Vakkuri and Giuseppe Grossi, provides a synthesis of and conclusions on all the parts and chapters. This final chapter also provides suggestions for further research regarding accounting in hybridised public governance.

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PART I

HYBRIDISED PUBLIC GOVERNANCE IN THEORY

2. Governance of hybrid networks in organisations and society

Jan-Erik Johanson and Jarmo Vakkuri

INTRODUCTION

Hybridity deals with the interplay between government, civil society and the economy. It refers to goal-oriented activity in joint ownership, incongruent goals and parallel institutional logics, multiplicity in sources of financing, and the changing nature of financial and social control between these realms of activity (Johanson and Vakkuri, 2017). Previous literature has given attention to hybridity within organisations in incorporating contradictory goals (Besharov and Mitzinneck, 2021), but there has been much less focus on the formation of hybrid networks and interactions between constituent parts of society (Vakkuri and Johanson, 2020). The building ground for this chapter is the tripartite distinction of the levels of relational analysis: (1) the node, (2) the dyad and (3) the network. The basic ingredients of network nodes as actors and their interrelations allow the examination of the relationships within the most important topics of hybridity in society and organisations (Simmel, 1950).

In this chapter, we elaborate hybrids as relational constructs according to institutional trajectories: organisations and society (see Table 2.1). Hybridity has been studied across social science disciplines, which necessitates considering a number of theoretical perspectives. The concept of hybridity as a combination of different species makes it an anomaly, but in social life, it is equally possible to see hybridity as central to understanding in developing something that we now see as purity (Stross, 1999).

Table 2.1 Hybrid arrangements among institutional trajectories and relational emphasis

	Institutional trajectory	
	Organisation	Society
Relational emphasis		
Node	Hybrid organisations	Hybridity within parts of society
Dyad	Hybridity across organisations	Hybridity between parts of society
Network	Hybrid network industry	Hybrid network society

Networks expand disciplinary lines and levels of analysis with ease. On the most general level, the concept of networks enables us to see both organisations and society from a single, unified perspective. Interaction patterns establish grounds for the formation of hybridity, and the continuous patterns of interaction institutionalise these patterns, but the process is not determinate. Here, the enquiry relates to interrelations within organisations and parts of society, which are essentially collective actors that comprise a number of individuals. We examine the economy, government and civil society as spheres of network activity extending institutional lines.

In an analysis of networks in social life, it is helpful to see social life as comprising three features. First, there are entities (nodes), such as people, organisations and societies. Second, the actors possess attributes, such as ownership structure (organisations) or constitutional form (nations). Third, lines (edges) connect actors and nodes in a social network (Figure 2.1). Connections can be diverse in nature, including the flow of resources, personal sentiments or command and control (Wasserman and Faust, 1994). In this sense, network concepts enable the analysis of any type of social life. The dyad is the smallest social structure in networks. All social structures can be decomposed into constituent parts between two actors regardless of the size of the network. Buyer and seller, manager and subordinate or joint memberships create dyadic bonds between actors. The attention could be on the focal actor, its internal relations (ego) or its contacts (alters), and the focus might be on the types of actors that are bounded together or on the types of connections that unite them.

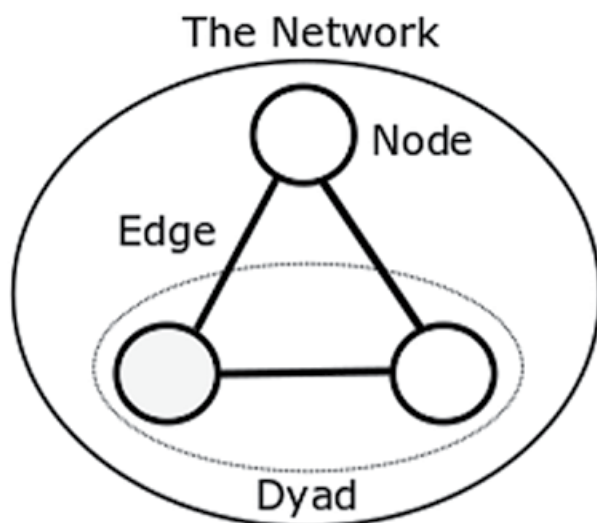


Figure 2.1 A network and its parts

Attention can be given to the form of networks and their formal properties, such as the number of ties (density) or nature of the social processes. The diffusion of innovation or the spread of infectious diseases could be studied without paying attention to the context or nature of the relationships. In contrast, content-oriented views look at networks' developments through the activities of the actors within the network, through narratives, stories and case examinations, in an attempt to describe unique idiosyncratic events (Erikson, 2013). In the following, the network approach provides a broad outline for the analysis of hybridity by introducing a case examination of hybrid arrangements. We propose the following three lines of inquiry: (1) how to deal with the levels of society in research on hybridity, (2) how to deal with interaction in the creation of hybridity and (3) how the government, the economy and civil society reflect hybridity.

The analysis follows a sequence of institutional trajectories. First, we introduce the organisational point of view prior to the elaboration of society's perspective. The examination within

these areas of analysis proceeds in a bottom-up fashion. We begin with an analysis of the nodal properties of hybrid constellations and proceed with elaborations on their dyadic and network features. The concluding section offers a combined view of hybrids according to alternative trajectories and subjects of relational examination.

HYBRID ORGANISATIONS

State-Owned Enterprises

There are some common themes in state-owned enterprise (SOE) research: (1) a dichotomous view of the ownership issue, (2) disagreement about the influence of state ownership on firm performance and (3) a focus on SOEs in the Chinese economy (Bruton et al., 2015). One study (Aguilera et al., 2021) of SOEs in some 130 countries over the past 50 years revealed a small negative effect of state ownership on firm financial performance and high heterogeneity across countries in the size and direction of this effect. Overall, the political ideology and political institutions in a country influence both the willingness and ability of state owners to pursue business and social goals simultaneously.

SOEs in China portray some of the hybrid aspects of combining policy and business goals. Over half of Chinese SOEs follow a mixed governance system that combines traditional state-centric and more recent shareholder-centric approaches. The three old committees (the Communist Party Committee, the labour union and employees' representative meetings) and the shareholder regime (shareholders' general meetings, the board of directors and a supervisory board with employee participation) are present, resulting in a highly decentralised management structure and the integration of native Chinese and Western corporate cultures. The mixed regime aims to accommodate multiple goals at the same time: (1) incentives for managers, (2) advantages for employees through shareholding, (3) the integration of interests and (4) democratic management. In a mixed setting, the state-centred regime aims to prevent manager corruption through the political education of party members, while the shareholder-centred regime promotes the motivation of employees through financial rewards (Hua, Miesing and Li, 2006).

Chinese SOEs behave as market operators substituting private enterprises, providing social services and catering for government as a general source of funds. In this way, the establishment of Chinese SOEs follows European developments of SOEs in mixing a number of political, ideological, social and economic motives (Toninelli, 2008). More than 40 per cent of China's non-agricultural gross domestic product is still accounted for by SOEs and entities directly controlled by SOEs. Chinese SOEs have shown profitability, and the results originate not only in their efficiency but also in their ability to use nationally owned resources without pay or with a nominal price. They also have access to cheap loans from state-owned banks and direct government subsidies (Brødsgaard and Li, 2013). In a critical tone, Kroenig (2020) argues that the Chinese economy has already used easy fixes in the effort to develop industries, such as moving agricultural peasants as a workforce to urban factories, which is likely to make the next steps into more innovative industries difficult in a rigid institutional environment.

Social Enterprises

Within civil society, the combination of commercial revenue and social benefits in specific organisational forms is gaining ground in many countries. The evolution of non-profits raises questions of management structures, goal orientation, financing opportunities and legal forms. The social enterprise (SE) sphere has received the most attention in the US and Europe. Sometimes, the formation of SEs takes place by creating subsidiaries to accommodate the unrelated business activity of the non-profit, in the US in particular. European SEs typically involve multiple stakeholders on their boards, whereas US SEs emphasise professional business management in board membership but may include alternative governance arrangements, such as advisory boards, to accommodate stakeholder interests (Kerlin, 2020).

Non-profits have become more entrepreneurial, but there is still a strong emphasis on creating mission-related revenues in which beneficiaries pay at least some part of the service. The spectrum of SEs operates in a field bordered by two dimensions: the strength of the intended social impact and the level of economic self-sufficiency. Most often, there is a strong motive to find solutions to social problems, but the level of economic self-sufficiency varies more among SEs. Furthermore, SEs are able to incorporate innovative practices into their activities. The culture-based rejuvenation of regenerated urban areas and new approaches to mental health treatments exemplify the innovations of SEs (Krlev and Mildener, 2020).

Social finance deals with investments in social and environmental causes. The financial instruments include social investments, impact investments, social impact bonds, crowdfunding, microfinance schemes and green finance. Although SEs can be partners in the realisation of social impact bonds or crowdsourcing schemes (Kerlin, 2020), these instruments often relate to for-profit activities and originate from different legal environments and cultural surroundings. For instance, social impact bonds are UK-based agreements by the government to pay investors for an improvement in specific social outcomes once it has been realised. Impact investors take the risk, and once the intended outcome has been reached, the government pays for the success (Han, Chen and Toepler, 2020).

SEs serve entrepreneurial motives by easing restrictive constraints on legal forms, which enables the formation of credibility and branding. Social cooperatives in Italy offer one example of a new type of mixed structure. Social cooperatives enjoy tax benefits, but their financing options and profit distribution are restricted. They are required to provide social, educational or health-related services rather than simply serving the interests of their members. These and other legal forms offer improved branding opportunities for hybrids, but at the same time they suffer from difficulties in finding their mission, accountability, financing and operations (Abramson and Billings, 2020).

HYBRIDITY ACROSS ORGANISATIONS

Public–Private Partnerships

Public–private partnerships (PPPs) showcase the aspect of dyadic interaction across institutional lines as they cross the borders between government and economy and/or government and civil society. Most PPP arrangements deal with the construction of physical infrastructure, but there is increasing interest in applying PPPs to social infrastructure in education, health-

care and care of the elderly (Oktavianus and Mahani, 2018). In dyadic inter-organisational networks, the most prominent concept of hybridity has been within transaction cost economics in finalising make-or-buy decisions. In this respect, hybridity refers to a contracting arrangement that is more secure than market transactions but less certain than the implementation of orders within an organisation. Economic exchange involves costs other than direct production costs, such as making contracts and overseeing the continuity of agreements. The nature of these costs defines the most fruitful governance structure, whether it be non-organised markets, contracts (networks, hybrid contracting), business organisations (hierarchy), regulation or public agencies (Williamson, 1999). The use of concepts such as hybrid contracting and networks is confusing in the analysis of public–private interaction as the contractual arrangement takes place between two different governance structures (business organisation and public agency). Contracting is particularly relevant in the examination of public–private interactions as the institutional attributes of the actors differ from one another.

PPPs are long-term contracts between two units whereby one unit acquires or builds an asset or set of assets, operates it for a period and then hands it over to a second unit. Such arrangements are usually between a private enterprise and the government, but other combinations are possible, such as with a public corporation as one party and a private non-profit institution as the second. These schemes are described variously as PPPs, private finance initiatives (PFIs) and other project structures combining designing (D), building (B), owning (O₁), financing (F), operating (O₂), managing (M) and transferring (T) schemes. Various combinations of these elements occupy the position between public and private institutions (Sarmiento and Renneboog, 2016).

Risk is central in defining individual projects. The business partner shares some part of the risk in cases of cost and temporal overruns, but at the same time they can enjoy benefits from the expedient fulfilment of projects and cost savings. A contract is fundamental in defining the delegation of risks and benefits. As the contract cannot completely dictate every interaction, it makes sense to formulate contracts to include incentives for efficiency (Hart and Holmström, 1987). There is a need for dynamic contracts in the sense that unforeseen incidents can be accommodated in projects. Relational informal contract mechanisms offer practical tools for overcoming unexpected occurrences. This requires goodwill in the form of fairness and responsible action by both parties (Demirel et al., 2019). The public procurer has its own obstacles in employing partnerships. Consequently, PPP arrangements have been accused of not being accountable and transparent enough for public scrutiny as private contractors impose restrictions on democratic openness and make it difficult to evaluate the value for money (cf. Chapter 5 in this volume; Bloomfield, 2006). However, while PPPs impose restrictions on external openness to the general public, they can provide sufficient internal transparency to the public procurer of infrastructure and services (Reynaers and Grimmelikhuijsen, 2015).

Common-Pool Resources

One relevant topic that is difficult to situate is the management of common-pool resources, which are inherently hybrid goods consisting of both public and private properties. From a network perspective, government, business and civil society are possible parties involved in controlling the hybrid nature of the resources, which advances different possible dyadic pairings between providers and beneficiaries. This approach is based on the study of easily depletable resources in which possible beneficiaries are difficult to exclude (e.g. forestry, fish-

eries, irrigation systems). The empirical solution escapes both central government intervention and outright privatisation and instead points to the importance of local governance arrangements (Araral, 2014). In practice, local communities can effectively manage these resources themselves if they have enough room to operate, a clear identity, collective decision-making and sanctioning structures, fair distribution of benefits and working relationships with other levels of authority (Ostrom, 1990).

An extract from Elinor Ostrom's Nobel lecture illustrates the point of joining the provider and beneficiary:

Carefully designed experimental studies in the lab enabled us to test precise combinations of structural variables to find that isolated, anonymous individuals overharvest from common-pool resources. Simply allowing communication, or "cheap talk," enables participants to reduce overharvesting and increase joint payoffs, contrary to game-theoretical predictions. Large studies of irrigation systems in Nepal and forests around the world challenge the presumption that governments always do a better job than users in organising and protecting important resources. (Ostrom, 2009)

The relationship between provider and beneficiary is an important aspect of the dyadic properties of hybrids. Within public administration, the discussion of new public governance (NPG) encapsulates a similar discussion within public service delivery. The argument is that public services are delivered within public service systems that include service users, local communities and technologies. Co-production and co-design take place in the management of individual services and co-production and co-innovation within the operation of service systems (Osborne, Radnor and Strokosch, 2016). For instance, patients take part in the design of their treatment with healthcare providers, and tenants help in the construction and maintenance of their future accommodation in non-profit housing schemes (Brandsen, Steen and Verschuere, 2020). Here, the hybridity is no longer the property of the service but the property of intersectoral interaction.

Hybrid Professionals

An element of hybridity is the presence of professional occupational groups within organisations. The commonly cited characteristics of professions include (1) a shared ethical code, (2) an altruistic mission, (3) esoteric knowledge, (4) an intrinsic definition of qualifications and (5) an organised union (Goode, 1957). The very concept of professionalism refers to self-determination in performing work. In another sense, it deals with incorporating the operational principles of a professional ethos as a genuine part of civil society into business firms and public agencies. It can be seen not only as interaction between individual professionals and managers but also as a dyadic link between a professional association and the management of the organisation.

Increased development in inter-organisational interactions has resulted in hybrid contracting arrangements between different organisations. Such arrangements require new ways of assessing risk and accountability, which highlights the need for managerial skills to deal with assessing such risks and new accountability structures. Certain professions, such as medical doctors, have sometimes shown a willingness to incorporate managerial knowledge into their professional practices (Miller, Kurunmäki and O'Leary, 2008).

Theoretically, developments in hybridisation might erode the organisational control of professionals. In the jurisdictional battle for professional self-control (Abbott, 1988), taking

up managerial tasks or adding new financial and other skills might be instrumental in retaining professional positions rather than other professional groups taking over managerial and other specialised duties. This new type of professionalism refers to a hybrid of professional and managerial principles (Pekkola et al., 2018) in which professionals consider organising to be an important task, dealing with contradictions between these principles and adopting organising as part of the job (Noordegraaf, 2015).

Still, the changing role of professionals may also lead to the dilution of professionals with other occupational groups. A fundamental change within organisations has been the adaptation of team-based structures comprising multi-professional teams that combine the expertise of numerous occupations. Together with other developments in flexible specialisation and a decrease in the levels of hierarchy, new organisational forms work against occupational segregation. Consequently, the new organisational order dictates that professional groups are less able to insulate themselves from interactions with, and the influence of, other occupations, which does not allow professional closure instrumental in the building of tightly knit communities (Janhonen and Johanson, 2011).

HYBRID NETWORK INDUSTRY: INTERNATIONAL COMMERCIAL AVIATION

While international aviation is linked to many important economic and ecological issue-areas or “cobwebs” ... it differs from most business involving services or commodities by directly engaging the national security interests, the sovereignty, and the prestige of almost all countries of the world. (Jönsson, 1981, p. 274)

The development of international aviation since the beginning of the 20th century includes an array of top-down attempts by governments to agree upon joint global business management rules. Despite these attempts, the development of institutions has been slow and has proceeded through a mixture of bottom-up private initiatives and top-down government interventions (Eilstrup-Sangiovanni, 2021). Within commercial aviation, hybridity appears in many forms. On the organisational level, private shareholder companies, government-owned flagship carriers and mixed ownership structures formed by both public and private shareholders continue to operate. The aircraft manufacturing business is focused on by only a few manufacturing firms, which are connected to national governments through direct government stakes, contracting deals and/or military aircraft development. As a result, the global aviation regime is a complex network of organisations and institutions that represent public–private interaction at multiple levels of governance.

As nodes, the most obvious demarcation line between airlines is the ownership structure, which might involve purely private shareholders (private), both public and private shareholders (mixed forms) or predominantly government-owned entities (public). Of the top 100 airlines, 60 have private ownership, 15 mixed ownership and the remaining 25 state ownership (Hanlon, 2007). The trend has been that formerly government-owned national flag carriers have been privatised. However, there is significant regional variation in the ownership structures of airlines. The US, Europe and Latin America are dominated by private airlines, whereas emerging airline markets in the Middle East are dominated by government-owned operators, and airlines in Africa and the Asia-Pacific are divided roughly into equal shares of public and private operators (IATA, 2011).

Basically, modern airlines have the option to choose from three different business models: (1) the full-service carrier model, (2) the low-cost carrier model and (3) the charter carrier model. Most well-established carriers attune to the full-service carrier model in their operations, which includes cargo, passengers and maintenance as the core business. This model also includes global reach through a hub-and-spoke network, which takes passengers from regional airports to international hub airports to connect flights (Cento, 2009). The change in the business model into full-service carriers and low-cost carriers has influenced the significance of ownership form. Most importantly, it has pushed traditional airlines, including those with public and mixed ownership, into the full-service carrier group. This group aims to combat tightening competition with participation in alliances and offers a variety of destinations through hub-and-spoke networks rather than the point-to-point travel offered by low-cost and charter carriers. In this sense, the business model has entwined with the form of ownership structure; government and mixed ownership structures are integral parts of the full-service carrier group.

The dyadic nature of air travel originates from bilateral air service agreements between national governments that make decisions about how transborder traffic between the two countries operates (Prokop, 2014). Despite liberalisation, the basic structure of bilateral agreements on the use of domestic airspace is still operational. The interesting hybrid twist is that these intergovernmental agreements establish operating rights for commercial airlines. To put it differently, bilateral intergovernmental contracts create dyadic government–business links at both departure and destination points. For a long time, US aircraft manufacturing companies, such as Boeing, Lockheed Martin and McDonnell Douglas, could benefit from government contracts when developing new designs, mainly for defence purposes (Boeder and Dorman, 2000). In Europe, many governments have direct stakes in the Airbus Group.

In network industry, the most striking development of hybridisation within commercial aviation has taken place at the global level. The formation of three global air alliances is a typical hybrid constellation based on transaction cost logic. They are not organisations arranged under unified command or a hierarchical, vertical division of labour, nor do they represent unsecured transactions of atomistic markets. Instead, the alliances are tied together through cooperative agreements in code sharing, scheduling and shared loyalty programmes (Tugores-García, 2013). These practices have been flexible enough to allow for changes in partnership structures.

HYBRIDITY WITHIN PARTS OF SOCIETY

The development of modern states has been a slow process. Some hindering factors relate to governments' internal functioning, while others address governments' interactions with the economy and civil society. Personal commitments, in contrast to a commitment to a merit-based system and the slow development of institutionalised norms to enforce obedience to these norms, have posed obstacles within states. In the economy, the persistence of personal ties has hindered the expansion of markets, and in civil society, active citizenship has emerged slowly. Workforce availability was instrumental in the emergence of capitalism as a standard form of production, but it also required new ways of legitimising the government. The development of a rational judicial system and the monopolisation of the means of physical coercion were the most important legitimisation strategies of the new rule. In the area of public

administration, the establishment of a salaried civil service and an ideology of loyalty enabled the development of an accountable modern bureaucracy (Ertman, 2005).

Hybridity of Government

Hybridity within governments is a two-sided issue. First, hybridity deals with the continuum between democratic and authoritarian governments. In the analysis of democracy, one question pertains to whether elections coincide with other democratic features, such as freedom of association and expression. In addition to democratic electoral Western countries and authoritarian regimes (e.g. Russia and China), there are ambiguous hybrid countries, such as Ukraine, Venezuela, Indonesia and Turkey, which may impose restrictions on elections and freedoms of expression but are not outright autocratic (Diamond, 2002). The major democracy indices such as Polity IV (Marshall and Cole, 2017) and Freedom House (Repucci and Slipowitz, 2021) recognise these hybrid types but name them differently as ‘anocracies’ or ‘partly free’, respectively.

The second aspect of hybridity within government has to do with the interface between politics and administration, which has its roots in the strict separation of these realms of activity. The administration–politics dichotomy discussion reached some closure in the 1980s when a pure hybrid model of government was introduced. Politics and administration had tentatively become a hybrid, eliminating the need to separate political decision-making from the formulation and implementation of goals (Aberbach, Putnam and Rockman, 1981). The exact reference to the type of hybridity is not altogether clear in this analysis (Lee and Raadschelders, 2008). It is possible to see hybridity as a type of ‘revolving door’ in which top officials and politicians move back and forth between parliaments and bureaucracies in their careers, or it might be a motivational construct for elite consensus, which combines political leadership in the control of bureaucracies with the corresponding favourable attitudes of civil servants towards their political masters. This discussion of the division between politics and administration has not faded away as their roles may change over time (Baekgaard, Blom-Hansen and Serritzlew, 2022).

Hybrid Economies

The academic discussion on political economy includes a useful elaboration of economic systems. Although many countries around the globe have market economies, there are still significant differences among economic regimes, resulting in qualitatively different types of economic systems (see Deeg and Jackson, 2006). The Varieties of Capitalism view offers an egocentric view of the functioning of the whole economic system. In essence, it takes the viewpoint of an individual firm (ego) and its relations to other firms (alters). It also considers the relationships between alters.

There are two basic or pure types of capitalist systems: liberal market economies (LMEs), such as the US, and coordinated market economies (CMEs), such as Germany. These represent ‘pure’ types of economies that function as referents for mixed or hybrid types of economies. In LMEs, firms manage coordination mainly through hierarchies and markets; that is, arm’s-length relations and high levels of competition. In CMEs, firms enable coordination also through non-market institutions; that is, strategic interaction through social networks. An LME’s advantage arises from the flexibility of these coordination arrangements. For CMEs,

the comparative advantage arises from cooperative behaviour among actors, which is based on information exchange and sanctioning defections (Hall and Soskise, 2001).

The key insight of the pure types is that coordinated economies work better in industries with incremental innovation and that liberal economies are more suitable in industries with radically new technologies. Interestingly, based on empirical evidence in OECD (Organisation for Economic Co-operation and Development) countries, Witt and Jackson (2016) found that CMEs had some advantages in industries with incremental innovation but that LMEs did not fare any better in industries with radical innovations. They argued that certain types of hybrid economic arrangements might be more successful than pure ones.

Following the introduction of the basic dichotomy, the finding in other economies was that they do not fit well with the clear-cut dichotomy (Hancké, Rhodes and Thatcher, 2007). For instance, it has proved difficult to locate Asian economies through the underlying dimensions of LMEs and CMEs (Witt and Redding, 2013) (see the case of Singapore in this chapter). In other cases, there are mixed-market economies that seem to fall in between the pure types. In Southern Europe, such as in Spain and Italy, economies suffer from internal cleavages, typically between the large-scale manufacturing industry and small businesses. The trade unions are strong enough to have political influence but too weak to make long-term binding contracts (Molina and Rhodes, 2007). Elsewhere, the fall of the Soviet Union in 1991 led to new types of market economies in Central Eastern Europe and other countries in the former Soviet bloc. The main divisive line in dictating the subsequent development of these economies was influenced by the type of emerging dominant coalition within these countries. A more liberal type of capitalism grew from the coalition between new business leaders and former dissidents in the Czech Republic, Hungary and Poland, whereas the coalition between the old political elite and the technocrat business elite produced a patronage type of capitalism in other countries, such as Russia, Ukraine and Romania (King, 2007).

Civil Society as Hybrid

There may appear to be a separation between pure and impure types of hybridity within government and the economy, but as an aggregate, civil society has hybrid elements in its constitution. Put differently, 'The term "civil society" would not apply to a particular sector, but to a relationship among the sectors, one in which a high level of cooperation and mutual support prevailed' (Salamon and Anheier, 1997, p. 65). Following this line of thought, 'Civil society is the sphere of institutions, organisations and individuals located among the family, the state and the market, in which people associate voluntarily to advance common interests' (Anheier, 2004, p. 20). With respect to these ideas, the question is not so much to define the clear borders between civil society and other parts of society but instead to understand how societies formulate their relationships with these institutions of civil society that are by nature able to cross over institutional barriers or are embedded within them.

In its internal constitution, civil society consists of two broad separate activities. First, there is the service production role of non-profit organisations (NPOs), which may add to or replace public services. Second, civil society incorporates an advocacy role for groups that would not otherwise be able to have their voices heard (Anheier, Lang and Toepler, 2020).

The service provision role of NPOs includes alternative trends. The developments between NPOs, government and business follow four different constellations in international settings: (1) enabling, (2) charity, (3) restrictive and (4) drifting and transition. Enabling relationships

builds upon mutually supported policies for government–non-profit interaction across sectors. It promotes capable public and non-profit sectors and extensive collaboration and enables regulation and credible regulation. Charity-based constellations offer tax incentives for a transparent culture of philanthropic giving and the substitution of public services by NPOs. The role of the state is to prevent abuse, and there are limits to the advocacy role of NPOs. Restrictive constellations create obstacles to the operation of non-profits, limit foreign funding and do not tolerate non-profit advocacy roles. Repression and outright conflict between NPOs and the government might be relevant features of their interaction. Drifting and transition describe mixed elements in the lack of political incentives for change. This constellation emphasises the service role of non-profits but is ambivalent in finding a way to develop and control the third sector (Philips and Blumberg, 2017).

Bringel and McKenna (2020) portray the advocacy role of civil society in an international setting. They advance three alternative theoretical viewpoints in dealing with those who find it difficult to raise their voices: (1) labour internationalism, (2) polity models and (3) a postmodern turn, which describe developments of framing activism and more recent developments in globalisation. Labour internationalisation portrays industrial society as a product of the dynamics of capitalism rather than as a construct of a nation state. Advanced capitalist nations combatted labour internationalisation with both offensive and defensive tactics. As an offensive tactic, nations compensated for sinking profits partly caused by the strengthening of labour by exploiting other, more vulnerable populations. As defensive tactics, firms shared some of their profits with professional management and pacified employees through favourable pricing policies. The polity model is an inherently state-centric idea that emphasises the importance of political processes. It deals with the ways in which active groups are able to raise resources and mobilise constituents to influence public policy. In a postmodern turn, nation states can no longer be taken as given. There is no absolute separation between the local and global, such as within the environmental movement, nor is there clear separation between material claims for wealth distribution and the identity-based claims related to issues such as ecology, gender and ethnicity.

HYBRIDITY BETWEEN PARTS OF SOCIETY

Government and Society

It seems that hybrid types of governing systems, such as ‘anocracies’ or ‘partly free’, do not work any better than autocracies or full democracies. The findings of comparative studies on democracy point out that relaxing autocratic control creates obstacles to retaining state control on physical violence and that slightly less repressive rule does not lead to improved domestic order or increased administrative capacity (Carbone and Memoli, 2015). Moreover, small incremental changes in autocracies towards democracy open up new possibilities for corruption (Alon, Li and Wu, 2016).

Within government ranks, the hybridisation poses problems for government–society interaction as the actual integration of bureaucrats’ and politicians’ careers severely impairs the quality of government. Such integration may proceed in a corporatist fashion by failure to restrict career opportunity in formally closed ‘career systems’ or by allowing outright patronage and clientelist interaction between politicians and bureaucrats in an open position-based

recruitment system. One of the main findings of the empirical analysis is that a de facto integration of political and administrative careers does not produce good governance (Dahlström and Lapuente, 2017). Instead, such public administrations appear to be more corrupt, less efficient and less active in reformation efforts. One of the underlying causes of these problems is that speaking truth to power becomes more difficult as individual actors are aware that their future prospects depend on compliance and conformity to the rules of politics and administration. It is indicative that nearly failed states such as Nicaragua and Venezuela score high on patronage, and there are similar tendencies in decomposed European countries such as the Czech Republic and Slovakia. Countries such as France, Italy, Turkey and Greece, as well as Paraguay, Pakistan and Serbia, represent corporatist tendencies.

A patronage relationship is a reciprocal exchange of favours between two individuals of different status and power, usually involving favours given by the patron to the client in exchange for the client's loyalty and political support. Patronage is sometimes distinguished from clientelism by scale. Patronage is more individualised, whereas clientelism involves larger-scale exchanges of favours between patrons and clients through intermediaries (Fukuyma, 2018). In patronage, employment in the state is the key resource that can be offered to any possible recipient in society. In clientelism, subsidies, loans and jobs function as commodities intended for party supporters as compensation for electoral support. In corruption, public decisions are the prime resource traded for financial resources. Private businesses are the typical beneficiaries of corrupt public decisions. While corruption is most often illegal, patronage and clientelism are not always against the law (Kopecký and Mair, 2012).

The consequences of corruption and patronage are not self-evident as it is possible to see them as devices for lubricating economic and political interaction among otherwise hesitant partners. However, research shows that the negative consequences of corruption far exceed its positive aspects. In the economy, corruption distorts markets and decreases the security of property rights, productivity and economic growth. Within government, corruption decreases government quality, which results in inequality and environmental pollution (Lambsdorff, 2007). The forms of patronage have both negative and positive consequences. Patron–client relationships might sometimes be beneficial for community development, resource mobilisation and even economic growth. The problem is that patronage does not promote open government; it may result in difficulties in allowing political change and indifference among public officials towards suitable public investment targets (Brinkerhoff and Goldsmith, 2004).

Economy and Government

Different types of economic systems also involve different interactions between the government and the economy. In LMEs, governments typically keep some distance from private businesses. In CMEs, the government plays an enabling role in the economy. It provides more extensive social security for workers whose skills have become obsolete in the job markets. However, the government plays an even more extensive role in Southern European mixed or hybrid types. In these economies, the public sector must continually resolve grievances between conflicting parts of the economic system. This often requires public funding and direct government involvement in economic exchanges (Deeg, 2009). The state plays an important role as a direct producer of goods, a regulator of the economy and a solver of coordination problems within the economy. The role of the state as a compensator of the 'first resort' is strong (Molina and Rhodes, 2007).

Developments in other hybrid Central Eastern European countries and other countries in the east of Europe represent two divergent tendencies. In the more liberal capitalist countries, the economy is driven towards foreign trade and technology development with little coordination among industries but continuous dependence upon foreign investments. In patronage-type capitalist systems, there are patron–client relationships within business firms, and clientelism plays an important role between the political and business elite and within business groups. Despite the large size of government in these countries, the capacity of the government has remained low, which has resulted in a lack of public services. The production of raw materials is the most important source of foreign trade, and political institutions orient themselves to one-party dominance through dishonest and restricted elections (King, 2007).

Civil Society in Society

According to the social origin perspective, the size of civil society is inversely proportional to the scope of government in providing benefits and services to citizens, but there is significant variation in voluntary action among countries that advance the importance of the state and historical path-dependent developments across societies (Anheier et al., 2020). The differences in US and European voluntary activity over the past decades illustrate these temporal contextual influences.

Historically, civil society has secured resources differently in the US and Europe (Defourny and Nyssens, 2014). The economic downturn and corresponding cutbacks in public spending in the 1970s directly hit the funding of non-profits, which then sought new, market-based ways of gathering resources to secure the fulfilment of their social missions in the US. In contrast, structural unemployment became a problem in many European countries starting in the 1980s, and numerous initiatives were connected to a more active labour market policy. Non-profits in the US and Europe have employed different strategies for obtaining new resources. In the US, they established market activities – often unrelated to their social missions – to advance their causes. Scouts selling cookies to finance their camping trips is one example of such an activity. In Europe, resources were gathered more in alignment with NPOs' social missions. For instance, a preoccupation with unemployment led SEs to create jobs within their own organisations, often with government aid. The different developments in the US and Europe illustrate the embeddedness of hybrid activity in a variety of institutional contexts. Increased reliance on market-based activity has been a lifeline for the production role of civil society in the US, whereas in Europe, social organisations have the backing of national governments and the European Union (Kerlin, 2006).

In a somewhat more abstract way, the nature of civil society can be expressed by two relatively simple network concepts: bonding and bridging. 'Bonding' refers to the formation of trust and reciprocity within a community. Frequent interactions within the group enable the formation of a common identity and common practices and customs, all of which create a sense of togetherness and social cohesion. Cohesive social groups have a financial effect as they tend to lower transaction costs. Thus, as part of a tightly knit social group, favours or 'credit slips' in return for work done for others are likely to be returned on some later occasion (Coleman, 1988). 'Bridging' refers to contacts with groups other than one's own. These contacts are important for getting new information, but they are also instrumental in integrating society as a whole (Granovetter, 1973).

The ideas of bridging and bonding are part of the discussion of social capital. In essence, social capital is the value embedded in social relationships. Social capital significantly influences the functioning of the government (Putnam, Leonardi and Nanetti, 1993). Trust and reciprocity among citizens are important determinants of a society's functioning, including that of government institutions. Putnam et al.'s study of the development of Italian regions over the centuries indicates the existence of marked differences in the social capital of different regions. This, in turn, helps explain why Northern Italy has progressed into prosperity, while Southern Italy has stagnated. In brief, participation in voluntary organisations and thus bridging was dominated by egalitarian membership in the north, whereas voluntary participation was much more hierarchical with the presence of feudal landlords, the Catholic Church and the Mafia in the south.

HYBRID NETWORK SOCIETY: SINGAPORE

A view of complete networks requires taking a view of society as a whole. As discussed in this chapter, hybrid forms exist between pure types of LMEs and CMEs and in government, between democracy and autocracy and between types of public bureaucracies. The role of civil society is portrayed according to different trajectories for its role in modern societies. The operation of the small island state of Singapore illustrates some of the developments in these realms of activity.

Singapore gained independence in 1965. Currently, it is a wealthy city state in Southeast Asia, with a population of 5.3 million people and an area of around 660 square kilometres. Its major languages are English, Malay, Mandarin and Tamil, and it hosts many religions. At the time of gaining independence, Singapore's prospects were not particularly good. It was a small, underdeveloped country equipped with no natural resources and a population from a variety of sources with little shared history.

Theoretically, Singapore offers a good example of the different aspects of hybridity. First, it is among the wealthiest nations in the world and is equipped with a unique hybrid economic structure (see Witt and Redding, 2013). Second, Singapore is a hybrid type of democracy. Although multiparty elections have taken place during the whole of its independence, there is systematic misconduct to suppress support for anyone other than the ruling People's Action Party (PAP), which has been a constant dominant political force and currently has 82 of 101 seats in parliament (Jones, 2020).

In government, the ruling party's strategy has been that of co-optation by inducing economic growth, political stability and social cohesion, and the provision of working opportunities for the expanding middle class. The government has avoided obvious patronage in public affairs and has employed low-intensity coercion such as lawsuits to quiet opposing voices. Election rigging has included detaining opposition leaders, denying campaign rallying and increasing registration fees for prospective candidates. As pointed out, the political system is 'free enough for citizens to confer legitimacy, but unfair enough to ensure PAP's dominance' (Morgenbesser, 2017, p. 212). Economic growth has allowed the government to improve public services and provide housing and employment for citizens. However, since financial crises of 2009, there has been more widespread political unrest due to recession, an ageing population and an influx of immigrants (He, 2020).

Within public administration, the politicisation of bureaucracy as an inducement of corruption does not fit the case of Singapore. It is an exceptional case of a relatively uncorrupted country with a highly politicised bureaucracy (Girling, 1997). It is an interesting exception to the perils of hybridisation within government. It might also be that some of the design features of the civil service have impeded patronage among its ranks. The government's policy has been to attract the 'best and the brightest' to seek employment in the government. The civil service of the Singapore government is built upon meritocratic recruitment, and there is a clear division of employees into specific categories according to their education and salary levels (Quah, 2010).

Economically, Singapore followed export-led growth in the 1960s and underwent industrial upgrading in the 1970s, followed by knowledge-intensive growth at the beginning of the new millennium. Foreign investments (FDI) and government-controlled SOEs represent the most important types of capital ownership in the country. The importance of foreign investments has resulted in the adaptation of domestic policies according to the requirements of foreign partners. Within the domestic scene, the strength of SOEs in strategic business sectors, such as banking and energy, enables government control of production (He, 2020). SOEs were reorganised under a single holding company, Temasek Holdings, in 1974. Together with sovereign wealth funds, government-controlled business activity contributes some 12–15 per cent of the operating costs of the government's annual budget. State officials have a right to veto any business proposition made by the companies covered by the holding company (Huat, 2016).

For civil society, it is fair to say that Singapore's orientation towards civil liberties is highly restrictive. Most organisations of more than 10 people are required to be registered and approved by the government. Only registered associations may participate in political action. The independent labour unions ceased to represent employees in collective bargaining in the 1960s. Industrial relations were organised in line with government policies in a symbiotic relationship with the ruling party, buttressed by financial perks to loyalists (He, 2020). Other ordinances further limit the freedom of speech and assembly as necessary to prevent protest and criticism that could culminate in 'public nuisance'. The top-down orientation of civil society builds more upon the civic nature of society in emphasising the duties of citizens than their option to exercise civil rights (Hammett and Jackson, 2018). Lack of judicial independence, media censorship, and restrictions on religion and freedom of speech lead to the stifling of civil society (Morgenbesser, 2017).

The developments of economy, politics and civil society in Singapore illuminate the practical implications of hybridity. From the perspective of democracy and civil liberties, this arrangement is far from ideal. Still, autocratic rule has not plunged the country into the corrupt neo-patrimonial rule witnessed elsewhere. Economic growth has lifted Singapore to become one of the richest countries in the world, and wealth has improved the livelihoods of most citizens, not only the ruling elite (Jones, 2020). This is not to suggest that economic progress is an acceptable trade-off for democracy. The point is that hybrid societies may incorporate positive features that we in the West warmly embrace, but at the same time they may possess negative features that we would gladly abandon. In this way, hybridity advances conflicting ideas and value regimes that are not easily combined.

The discussion of the relational aspects of hybridity raises a number of questions. Sometimes governing hybridity necessitates a balancing act among parallel and opposing forces. In other instances, hybridity represents an effort to build genuinely new interaction patterns to settle the issues at hand, but it is also the case that hybridity brings out restrictions on interaction patterns

Table 2.2 *Relational issues facing hybrid arrangements in organisations and society*

Hybrid organisations	Hybridity within parts of society
How to integrate and separate policy, for-profit and voluntary activities in the internal operation of organisations	How to combat hazardous hybrid interactions, such as: (a) Career integration between bureaucrats and politicians (government), (b) Internal cleavages (the economy), (c) Hierarchical interactions (civil society)
Hybridity across organisations	Hybridity between parts of society
	How to induce reciprocity while avoiding: (a) Clientelist and patrimonial relationships, (b) Unilateral dependencies on government, (c) Repression of association
Hybrid network industry	Hybrid network society
How to mix collaboration and competition in ambiguous institutional environments	How to combine seemingly incompatible institutional elements without resorting to oppression of interaction

(cf. Chapter 11 in this volume). Table 2.2 sums up the main relational issues, which are further elaborated in the concluding section. There are three main views on hybrid arrangements: (1) hybrids as average (Karré, 2022), (2) hybrids as improvement and (3) hybrids as degradation. It is not uncommon to see hybridity situated in the middle ground between extreme positions. Here, the concept of hybridity as an average position refers to a continuum between full democracies and outright autocracies. Another aspect of hybridity is hybrid vigour (Stross, 1999), which refers to the improvement of hybrids in contrast to their pure predecessors witnessed by hybrid professionals. Hybridity may also refer to the degradation of the beneficial properties of the original species signified by the overlapping careers of bureaucrats and politicians, leading to bad governance. Sensitivity to different types of relational patterns enables identifying the virtues and the vices of hybrid formation.

CONCLUSIONS: HYBRIDITY IN A RELATIONAL CONTEXT

Despite the predominance of organisations as a prime focus of hybridity in previous research, this chapter points out that hybridity appears in the fabric of society covering developments in the economy, civil society and government. The alternative trajectories of organisations and society presented here show clearly that both avenues enable studying the relational aspects of hybrids as singular entities and dyads as well as networks as a whole.

In organisational trajectory, the essence of hybridity often resides in the specific types of network forms. The PPP illustrates this point. It is a dyadic contractual network arrangement between a public procurer and a private provider. Individual choices often form the building ground for hybrid network formation. Professionals finding employment in organisations may build up hybridity between the authority of the management and the influence of the professional association. Moreover, the nature of hybridity may change through switching the empirical focus. Within the discussion of common-pool resources, the hybrid nature of the good allows alternative provider–beneficiary pairs (government, business, community). As the attention orients to the provision of public services, the main aspect of hybridity appears not in the service itself but in the co-production between operators of different institutional

origin. Within the hybrid network industry in international commercial aviation, international contracting efforts and trends of deregulation have not faded government influence on the final say of allowing or denying the operation of foreign airlines in national airspace. This puts forward the need to mix collaboration and competition across levels of governance.

This examination puts forward the role of hybridity at different levels of society. In a sense, considering the nature and interplay between organisations among growing levels of aggregation is a tool for understanding the reasons for hybrid activities. For instance, the role of SOEs is significantly different between the US and China, which is not easy to comprehend without taking into account the differences in their economic and political systems. Even similar hybrid arrangements have unique meanings in different contexts. A view of the hybrid network society in Singapore puts forward a unique combination of economy, polity and civil society, which has produced increasing levels of wealth of the population at the expense of democratic and civil liberties. Admirers of Singapore's economic miracle in Western liberal democracies would not embrace the whole state-centric package with its undemocratic tendencies, but the relatively good governance without an expansion of political liberties in Singapore continues to incite interest in autocratic China (Ortmann and Thompson, 2016).

Prior literature has provided critical information regarding the excessive focus on the hybridity of organisations at the expense of other important levels of societal activities (Vakkuri and Johanson, 2020; Vakkuri et al., 2021). However, this chapter has also demonstrated the limitations of the current theoretical understanding in capturing the complicated and multi-faceted interactions between levels. While the perspective of network governance may seem like a plausible, promising line of argumentation for transcending organisational boundaries, it actually provides another set of theoretical concepts and contexts that need to be associated with existing ones. In theorising the hybridity of organisations, networks and societies, it is necessary to develop more sophisticated theoretical-conceptual models for linking hybridity with different levels of societal and institutional activities. Thus, strategies adopted at the organisational level may contribute to complicated impacts on public policy design. Without understanding such inter-linkages, the research faces the risk of being institutionally hollow.

Hybrids are curious creatures. We may walk a hybrid dog, drive a hybrid car or eat hybrid food. Technological advancements and the evolution of societies are likely to provide us with plenty of new hybrid forms. The conceptual problem is that the wide applicability of hybrids requires the need to define them when used in specific instances. This discussion shows that hybridity refers to many types of public and private interactions that do not conform to any single theoretical framework, but it offers a workable theoretical tool to integrate separate academic discussions under the same topic of interest. We are fundamentally dealing with artefacts of the human mind, which are often intangible and difficult to observe and escape detailed measurement. In this sense, the occurrence of hybridity is a signal of flawed categorisation on the surface level, but it may refer to incomplete theoretical thinking on a more fundamental level. Hybrids challenge previous assumptions by bringing up non-conforming cases worth further scrutiny.

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3. Hybridity in digital and algorithmic public governance

Tero Erkkilä

INTRODUCTION

The focus in this chapter is on the relation of emerging hybrid forms of governance and digitization in bureaucracies. In the standing literature, hybridity is often identified in ownership arrangements that are blurring public and private boundaries (Thynne, 2011) or as public–private partnerships in service delivery (Greve and Hodge, 2013; Hodge and Greve, 2009). Hybridity is also discussed in the context of institutional complexity owing to various potentially conflicting institutional logics associated with a single institution (Skelcher and Smith, 2015). This also poses challenges to accountability and control of such hybrid organizational forms (Vakkuri et al., 2021). This chapter discusses hybridity in the context of digital and algorithmic governance, also highlighting emerging forms of hybridity in human–non-human agency.

Bureaucracies and their processing of information have evolved during the formation of the state from absolutist to welfare state and beyond. Digitization has both reflected and expedited changes in institutional practices and administrative culture. Public governance also increasingly now involves external actors providing information and technological services. There are also various societal uses for digital public data. At the same time, there has been a shift towards numerical public governance through the increasing use of performance indicators and algorithms.

Numerical governance is often associated with unintended or paradoxical effects, but scholars have also drawn attention to constitutive effects of governance by numbers and algorithms. Understanding transformations of the state related to numerical governance calls for contextual analysis of the institutional developments and tensions. The chapter includes an analysis of emerging hybrid forms of digital governance in the context of the state, but also assesses the transnational aspects of digital and numerical governance in the context of global governance indicators. The aim of this chapter is to assess the effects of digitalization by exploring three instances of hybridity related to digital and numerical governance: (1) hybridity due to opening of the state and the reuse and sharing of digital public data; (2) hybridity due to emerging forms of algorithmic governance, implying hybridity in human and non-human agency; and (3) hybridity in the production and use of policy indicators, which links to the two points above.

The early effects of information systems on bureaucracies were confined to single organizations, but digitization has enhanced interaction with the society in terms of service provision, responsiveness, participatory governance and deliberation, as well as economic exploitation of public data, all of which have contributed to hybrid forms of governance. Digitization coincides with and facilitates hybridization in public governance (Gritsenko and Wood, 2020), understood broadly as the blurring of tradition organizational boundaries such as public and

private (Johanson and Vakkuri, 2017). Hybridity is also associated with accountability, both as its challenge as well as its type, hybrid accountability (Benish and Mattei, 2020; Thomann and Sager, 2017).

The modern state is based on its ability to collect and process information, allowing the running of basic state functions as well as welfare state tasks. State bureaucracies need massive amounts of registry data, statistics and cartographical data, and they have also traditionally been in charge of producing meteorological information and national health data. Through digitization there is now a wider societal interest in their use. Though modern bureaucracy in a Weberian sense held its information resources closely to itself, welfare state governance builds on interoperability between different bureaus. And through digitization, the states are reassessing their information resources that are used to provide citizens with online services but also used as a raw material for digital innovations, both within and outside bureaucracies. Here the allocation and processing of information reflects and interacts with the development phases and reform aspirations of public bureaucracy.

My chapter highlights the transformations of the state and new stakeholders and forms of collaboration that are tied with digitization, as well as the emerging questions of accountability. To understand the digital transformations of the state, one needs to engage in contextual analysis of the actual changes that might show even paradoxical and unintended effects. Moreover, through digitization we are increasingly also reconsidering the boundaries of national and transnational governance. This is also apparent in the global comparative assessments of states that are being ranked through policy indicators that also build on algorithmic reasoning. I conclude that one should engage in contextualized analysis of hybridity and its actual effects, highlighting the need to consider changes in agency, interconnectedness and temporality pertaining to digital and algorithmic governance.

DIGITAL GOVERNANCE AND HYBRIDIZATION

Digital governance is often studied from the perspectives of changes in public service provision, democracy and citizen rights, but it can also be understood in terms of hybridization. A significant peer concept here is openness, which is key in understanding the emergence of hybrid constellations that often emerge through new stakeholders and partners in digital public governance and use of public data. Digital governance is discussed under different concepts such as e-governance, digital era governance, e-democracy, digital democracy, computer-mediated participatory governance, open government (open data, public sector information), the surveillance state and smart cities. While these tend to highlight different aspects of governance, they all imply opening of collaborative venues in governance that result in hybridity.

Information processing in bureaucracies not only reflects transformations of state and public administration, it also facilitates them. This happens in the conjuncture of technological change and shifting ideas on the role of the state that affect how technological innovations are used in public governance, and for what purpose. These might be aimed at serving public sector reform on the one hand, and citizen service provision on the other. However, they are also linked to public organizations' attempts to rearrange their own activities.

Initially, public information systems concerned single bureaucratic organizations, a factor that was also visible in the research that focused on institutional transformations of the adop-

tion of information and communication technologies (ICT). For example, in the early 1990s the focus was still very much on the public administration itself and the use of information technology in bureaucracies was discussed under the notions of public (sector) information systems, highlighting their seamless adaptation to the existing processes (Newcomer and Caudle, 1991). At the same time, the information systems were increasingly seen as tools for change, being linked to management ideas such as total quality management (Hendrick, 1994). The focus on single organizations can be understood against the limited connectivity between different organizations. The effects of management information systems were also discussed under the label of cybernetics, carrying the (also criticized) idea that control of information would lead to greater control in management (Overman and Loraine, 1994).

However, the focus has since shifted towards digitally enhanced interaction with society in terms of service provision, responsiveness, participatory governance and deliberation, as well as economic exploitation of public data. Indeed, the history of digitization in bureaucracies also reads like an account of its opening. But contradictory developments have also been identified in the use of digital technologies.

The Internet and digitization have changed the tools of government (Hood and Margetts, 2007), carrying the potential for innovation in public management. These aspirations are often linked with efficiency-seeking structural reforms of public institutions (Heintze and Bretschneider, 2000). The scholarship highlights the effects of information technology on public institutions, potentially shaping the practices and structures of public administration (Kernaghan and Gunraj, 2004). Yet, e-government initiatives reflect existing patterns of public service provision rather than transforming them (Torres, Pina and Royo, 2005).

Traditionally, information processing in bureaucracies has been a task conducted at the “back end” of activities and not visible to citizens. Technological developments in the processing of information are also reflected in the ways that bureaucracies are interacting with society. The use of punch cards and computerization of public administration coincided with and facilitated the rise of welfare state functions (Lubar, 1992). Since the development of the Internet in the 1990s, digital public services have also come to involve citizens, making the processing of their personal information visible. As a concept, e-governance is service oriented and it highlights the interaction between the government, citizens and businesses, though it is also linked to public sector reform (Bélangier and Carter, 2012; Dunleavy, Margetts and Bastow, 2006).

Digital or electronic government is seen to bring major changes and advances in enhanced efficiency, public sector performance and democratic responsiveness (Forlano, 2004; Garson, 2004; West, 2005). Here, the research fields on digital government and public management research are converging (Gil-Garcia, Dawes and Pardo, 2018). While digital era governance is also proposed as one of the alternatives for New Public Management (NPM) regarding public value management and collaborative governance, there are also tensions between them (Greve, 2015). E-governance is also often associated with e-democracy or digital democracy as computer-mediated participatory governance (Chandler and Munday, 2016). However, e-governance initiatives carry various other motivations and may even have unintended effects in democratic terms (Dahlberg, 2011; Sundberg, 2019). Open government, though often narrowly used as a synonym for open data, also highlights the participatory aspects of digital governance (A.J. Meijer, Curtin and Hillebrandt, 2012).

Scholars have identified the stages and determinants in e-government, according to which countries, and cities, differ (Basu, 2004; Ingrams et al., 2020). Digital governance is not confined only to national bureaucracies, but it increasingly involves cities. The concept of

smart cities refers to digital and data-driven co-operative governance in an urban space (Batty, 2013; A. Meijer and Rodríguez Bolívar, 2016; Öberg, Graham and Hennelly, 2017). The smart cities paradigm also emphasizes the linkages between public and private actors as well as how they relate to citizens and services. The use of digital online platforms now also allows governments to collect information and proposals from citizens for enhancing and co-producing public services (Mergel, 2018).

Public information is also a valued resource of the knowledge economy. In this context, public information is perceived as a “good” or a “commodity” for which there is a “market”. For example, in Europe the concept of public sector information has been a marker for a new domain of governing the reuse of digital public data, such as cartographic information (Blakemore and Craglia, 2006). The policy discourse of public sector information refers to a Europe-wide policy problem that emerged in 1990s in the conjuncture of NPM and the digitization of public data, when public organizations started charging for the use of their data (European Commission, 1998). This is paradoxical because the performance management schemes building on budget transparency effectively diminished the access to public information and interoperability of public bureaus that started charging for their data (Erkkilä, 2012, Chapter 4). This shows how technology and alternative rationalities of government meet in the use of public data, leading to potentially unintended effects.

To summarize, digitization has facilitated the opening of the state and the reuse and sharing of digital public data, which has led to hybrid forms of governance, particularly in the traditional public–private sense. However, novel forms of hybridity are emerging in algorithmic governance, which shifts the focus from digital tools to automated decision-making.

HYBRIDITY IN ALGORITHMIC GOVERNANCE

While hybridity is often understood in terms of the public–private dichotomy (and its hybrid forms), algorithmic governance and the automation of decision-making also highlights the need to consider the emerging hybrid forms of human and non-human agency. Another pressing topic is the automation of decision-making, which can range from rules-based decisions to learning systems. This has created new demands for control, in terms of both citizen information rights and accountability systems (cf. Chapter 7 in this volume). While one should be cautious about claims of revolutionary changes, the increasing tempo and interconnectedness characterizing the digitization of bureaucratic activities poses major challenges regarding public accountability.

The notion of algorithmic governance has risen as a marker of a new shift in information processing through machine-based learning and big data. Often also discussed under the label of artificial intelligence (AI), algorithms seem to have acquired new connotations in this conceptual shift, increasingly associated with autonomy. This is remarkable, since algorithms are logical orders of reasoning that enable computing and statistical inference alike. Algorithms have been traditionally compared to law-like hierarchies that are largely predetermined, meaning that machine learning is not necessarily implied.

Through the hopes and anticipations set for AI, algorithms have acquired seeming agency that sees “the algorithm” as a potential actor. Consequently, automation and algorithms are often conflated with AI and machine learning. This conceptual confusion is problematic, as it blurs the different modalities of computer-aided decision-making, ranging from rule-based

decision-making (systems based on legal or other rules) to systems that are machine-learning assisted, or where decision-making is fully based on machine learning, creating other needs for designing accountability measures (Veale, Van Kleek and Binns, 2018).

AI and big data are seen to contain serious transformation potential for public administration, but they also present challenges (Pencheva, Esteve and Mikhaylov, 2020). AI has been seen to imply benefits and dangers for public administration, concerning responsiveness, judgement and accountability (Barth and Arnold, 1999). Indeed, the bureaucratic hierarchies have traditionally provided clear chains of responsibility, potentially blurred by automation and increasing agency and discretion by machines.

Algorithms are increasingly being used and developed for decision-making in various bureaucratic activities. The use of service bots might be the most apparent application of algorithms in public governance, in which online help chats are increasingly being automated. But countries have also extended their use of machine learning and big data analysis in health care systems, national health research and taxation. There are also attempts to use the algorithmic analysis and prediction for law enforcement and governance of social benefits (Margetts and Dorobantu, 2019).

The automation of decision-making also creates new hybrid forms of public governance, in which the human and non-human agency is difficult to tell apart. This also creates apparent problems for accountability. In the Nordic context, legal overseers are increasingly struggling to deal with the legal aspects of automated decision-making, as it does not readily comply with the current legal requirements of administrative decisions (Ahonen and Erkkilä, 2020; Kaun, 2021). For example, legal frameworks are likely to associate administrative decisions with a responsible civil servant, but such chains of responsibility are not present in automated decision-making processes. Instead, various individuals might be drafting the algorithmic rules and parameters as well as selecting the data. Who then made the actual decision? In such novel hybrid arrangements of public governance, agency lies at least partially with algorithms or shared responsibility in designing them.

The standing scholarship points to the evolving power relations and biases of algorithms that are often perceived as black boxes with major social and political influence (Bucher, 2018; Pasquale, 2016). The algorithms are seen to carry social biases both through design but also through the data that they use. The biases in data are particularly pressing in machine learning, because algorithms are being “taught” by exposing them to existing data resources, effectively also exposing them to biases in the data.

Such biases equally concern the use of algorithms in public governance, with attempts to anticipate certain incidents or automate decisions; for example, concerning social benefits (Eubanks, 2018). The issues concerning the opaque character of algorithms raise obvious questions of accountability (Chapter 13 in this volume). This also draws attention to the increasing role of proprietary algorithms in national governance of knowledge and innovation as many of them are products of private companies that also are used in co-producing new information resources.

According to Giddens, modern nation states could be described as surveillance states as the public authorities’ knowledge of their subjects is highly detailed (Giddens, 1985, p. 14). Welfare states collect comprehensive data resources on citizenry, dwellings, real estate, communities and companies for the general steering of the state. This has led to the accumulation of comprehensive registry infrastructure. The surveillance state is also constituted with the help of digital technologies. Often linked with intelligence and policing (Atkinson, 2015),

state surveillance is also present in the allocation criteria of social security, leading to reflexivity by the recipients of benefits (Manji, 2017).

In addition, the line between public and private data collection is seen to have become blurred (Balkin, 2008). At present, there is a major cultural shift and socialization in life under surveillance caused by digital devices, commercial applications and service platforms whose use now pervades everyday life and normalizes the idea of constant surveillance (Giroux, 2015). Hence, the (digital) surveillance state coincides with surveillance capitalism (Zuboff, 2019). This again demonstrates the blurring of public–private boundaries due to digitization and the increasing power of major digital platform producers such as Google and Facebook. This has also raised calls for their regulation, which is difficult due to the global nature of these companies (Espinoza, 2020a, 2020b).

The use of big data is seen to cause systemic changes in the forms and aims of surveillance (Andrejevic and Gates, 2014). For example, the Chinese initiative of a social credit system has taken the development to an unforeseen level, classifying citizens and organizations for their trustworthiness and rating them for their eligibility and access to education and markets (Liang et al., 2018). This entails different modalities and functional logics of transparency that entail power relations, but also potential contradictions (Hansen and Weiskopf, 2021). Such effects obviously also vary between democratic and non-democratic regimes.

Technological innovations (such as the use of biometric identification) have also been adopted transnationally (Liberatore, 2007), as well as the exchange of data through the European Area of Freedom, Security and Justice and the European Union's (EU's) Schengen area, blurring the lines between national bureaucracies (Broeders, 2007; Gonçalves and Jesus, 2013; Johnson and Williams, 2007; Zaiotti, 2007).

The proliferation of surveillance state technologies may also start to touch on the boundaries of hybridity such as public vs private and human vs AI, while also testing the division of “national” and “international”. For example, surveillance technologies exported to other countries by Chinese companies have raised concerns that the algorithmically collected data might “spill” to the Chinese state (Kynge et al., 2021; Mozur, Kessel and Chan, 2019). This demonstrates the difficulty of classifying actors and identifying agency and accountability relations in such constellations.

To summarize, the emerging forms of algorithmic governance are leading to hybridity in terms of human and non-human agency, in which it is increasingly difficult to establish when, where and by whom decisions were effectively made. This blurring of agency is also linked to the rising role of major corporate actors operating digital platforms as well as the difficulty of establishing the limits of national and transnational realms in digital governance. Indeed, digital governance and AI have become global policy concerns and countries are now also being measured and compared in terms of their readiness for the “AI revolution”. The production and use of indicators also entail hybridity owing to the two above modalities.

HYBRIDITY AND POLICY INDICATORS

Since the late 1990s, there has been a surge of new governance indicators. The global ranking field has evolved through new actors that are joining global governance assessments with competing sets of indicators (Kauppi and Erkkilä, 2011). Despite the competition between the knowledge producers, there is also close collaboration between the index producers, who share

common normative and causal perceptions as well as data sources (Erkkilä and Piironen, 2009; Haas, 1992), but also compete with each other for visibility and users (Kauppi and Erkkilä, 2011).

Global indicators have become influential as policy instruments (Erkkilä, 2013; Espeland and Sauder, 2007; Kelley and Simmons, 2015; Merry, Davis and Kingsbury, 2015), influencing countries and cities that are being ranked, as policy actors adhere to the perceived norm (Buduru and Pal, 2010; Erkkilä and Piironen, 2009; Löwenheim, 2008; Merry, 2011; Merry et al., 2015). Hence, changes in their outlook have implications for their mechanisms of influence. Moreover, such policy measures also have the potential to produce unintended consequences (Espeland and Sauder, 2007; Pidd, 2005; Robinson, 2003; Smith, 1995; Thiel and Leeuw, 2002).

Numbers seem neutral, but indicators, just like any statistics, are fundamentally political (Desrosières, 1998; Porter, 1996). They often carry ideological baggage owing to the choices over concepts and their attributes, data sources and methodology, such as weighting of data. It is important to note that bad policy indicators can and do also have policy effects. This has drawn interest in the composition of these measurements and their methodology. Global country rankings and indicators have faced criticism for their normative character and methodology. In particular, the global rankings have been criticized for using blunt aggregate figures in establishing rank orders.

While global indicators might seem to have little in common with digitalization and algorithmic governance, there are actually many relevant contact points. First of all, the ranking of countries is linked to state information and the opening up of the state. Much of the information stems from the state administration, either directly or through international organizations that collect their statistics with the help of nation states. Second, the rankings are also fundamentally algorithms: the rank orders are based on logical operations that help to classify the entities measured according to set criteria. Third, the data sources of the indicators are increasingly stemming from private companies and platforms such as Google.

Table 3.1 shows global indicators of good governance, competitiveness, innovation and AI governance. Instead of thinking of them as individual metrics simply emerging at the same time, it is important to appreciate their interconnected nature. Indeed, the global rankings are best understood as a field of global measurement (Erkkilä and Piironen, 2018; Kauppi and Erkkilä, 2011), in which the already existing indicators are used by the new indicators launched. In short, the metrics of innovation draw heavily from the rankings of good governance and competitiveness (Erkkilä, 2020). The indicators claiming to measure countries' AI readiness also build on existing data and indicators, but increasingly with the addition of indicators that stem from private companies and information platforms that contain processual information gathered as a side product of actual activities.

For example, the Global AI Index first published in 2019 (Tortoise, 2019a, 2019b) involves data produced by surveys (Ipsos Mori, Kaggle), international organizations (UNESCO, UNCTAD, OECD, World Bank), standardization organizations (ISO), private companies (Google, LinkedIn), information platforms (Crunchbase, Github), news outlets (Reuters), university rankers and citation indexes (Times Higher Education, SCOPUS, H-Index) and national governments (statistical bureaus). These data are compiled, structured and weighted by Tortoise Media, an exclusive crowd-funded media venture (Bell, 2018).

As is obvious from the above account, the data and actors involved are becoming so diverse that it is difficult to tell who actually produced the data. In addition, it is important to note

Table 3.1 *Global indicators: good governance, competitiveness, innovation and AI governance*

	⇒1999	2000–2009	2010–
Good Governance	Freedom in the World (1972) Freedom of the Press (1980) Corruption Perception Index (1995) Worldwide Governance Indicators (1996)	Fringe Special (2001) Press Freedom Index (2002) Global Integrity Report/Index (2006) Open Budget Index (2006) Open Net Initiative (2007) Actionable Governance Indicators (2008) Government at a Glance (2009)	Global Integrity Report – Integrity Scorecard (2010) Global Right to Information (RTI) Rating (2011) Implementation Assessment Tool (IAT) (2011)
Competitiveness	Global Competitiveness Report (1979) World Competitiveness Yearbook (1989)	Global Business Competitiveness Index (2000) Growth Competitiveness Index (2000) Global Competitiveness Index (2004) Rich States, Poor States (2007) Worldwide Centers of Commerce Index (2007) A.T. Kerney's Global Cities (2008) Global Power City Index (2008)	EU Regional Competitiveness Index (2010) Hot Spots 2025 (2013) The Competitiveness of Cities (2014)
Innovation		European Innovation Scoreboard (2001) Global Innovation 1000 (2005) Global Innovation Index (2007) Innovation Cities Index (2007) Innovation Union Scoreboard (2008) International Innovation Index (2009)	The Bloomberg Innovation Index (2011) Thomson Reuters Top 100 Global Innovators (2011) The Global Cleantech Innovation Index (2012) The Startup Ecosystem Report (2012) Global Talent Competitiveness Index (2014) Top 100 Innovative Universities (2015) Contributors and Detractors (2016) Top 25 Global Innovators – Government (2016)
Digital/AI Governance		UN E-Government Readiness/Development Index (2003) UN E-Participation Index (2003)	Government AI Readiness Index (2017) Digital Government Index (2019) Global AI Index (2019) Global Cities AI Readiness Index (2019)

that algorithmic reasoning is used in both producing the indicator and the rank scores as well as in producing some of the initial data (data mining). In many ways, the issues of hybridity identified in digital and algorithmic governance in the context of the state are now becoming visible in the context of global knowledge production that now aims to measure the states' capacity to innovate and use AI.

Hybridity in the production and use of policy indicators also links to the two other modalities of hybrid governance discussed. It is becoming increasingly difficult to identify the types of actors involved (public–private) as well as agency (who produced the data?), including the role of automation (non-human agency). The global metrics on countries' AI readiness are themselves building on the very processes that they aim to measure: access to digital public data and its reuse potential, as well as the ability to exploit algorithmic reasoning in decision-making.

HYBRIDITY, DIGITIZATION AND ALGORITHMS IN PUBLIC GOVERNANCE: EMERGING ISSUES

This chapter has presented discussion on hybridity in the context of digital and algorithmic governance. There are diverse perspectives on hybridity (Johanson and Vakkuri, 2017) which tend to focus on blurring boundaries of public and private organizations and ownership (Thynne, 2011), public–private partnerships (Hodge and Greve, 2009), and hybrid institutional logics (Skelcher and Smith, 2015) and forms of accountability (Benish and Mattei, 2020; Thomann and Sager, 2017). While previous research has seen digitization as facilitating hybridization in public governance (Gritsenko and Wood, 2020), its emerging forms have not been systematically addressed. This chapter has explored three instances of hybridity related to digital and numerical governance: (1) hybridity due to the opening and reuse of digital public data; (2) hybridity due to algorithmic governance, implying human and non-human agency; (3) hybridity in the production and use of policy indicators.

The issues of hybridity pertaining to digital and algorithmic governance are related to the blurring of public–private boundaries and human–non-human agency. The changes we see can be identified in terms of agency, interconnectedness and temporality. Considering temporality of digital and algorithmic governance there is a notable drive towards automated administrative procedures running in real time, uninterrupted by human agency. Interconnectedness is demonstrated in increasing coupling of data, systems and actors, including those outside bureaucracies. There is also a real concern about the concentration of technological platforms, often privileging major corporations, which might have consequences for both democracy and risk management (Perrow, 1999; cf. Winner, 1980) and accountability measures (Bovens and Loos, 2002; Petrakaki, 2018) that also become engrained in the use of technology through proposed new forms of control, such as algorithmic transparency (Burrell, 2016; Janssen and Van den Hoven, 2015; Kemper and Kolkman, 2019; for critique, see Kroll et al., 2016).

The three instances of hybridity discussed in this chapter can be summarized concerning the agency involved, as well as interconnectedness and temporal elements. The first instance of hybridity related to opening up public governance through digital means and reuse of digital public data highlights shifting perceptions and conceptualizations of the digital state. E-governance is a service-oriented concept, often implying a multitude of service providers working in collaboration in order to meet the needs of citizens. Digital and electronic govern-

ment stresses enhanced efficiency and public sector performance and responsiveness. Though digital-era governance departs from the NPM paradigm, the above concepts nevertheless acknowledge the changing nature of public service due to the introduction of market-type mechanisms parallel to digitization. The concepts of e-democracy or digital democracy highlight computer-mediated participatory governance. They bear similarities to open government, though in relation to digitization this term is often narrowly used as a synonym for open data that has been a policy issue since the 1990s, when public sector information became seen as raw material for digital services. Altogether, the digitalization of governance implies hybridity through sharing of digital data resources and inclusion of various stakeholders and partners.

Considering the case of reuse and sharing of digital public data, the digitalization of public data has allowed various actors within and outside public administration to use the data resources of the state. In terms of agency, digitalization has marked an increasing use of private service providers in providing and maintaining public information services. In addition, there now is a mix of public and private actors in producing digital services based on government data. This has also enhanced interconnectedness of actors, but nevertheless in a limited fashion. In temporal terms, the use of digital public data has also accelerated service provision outside public administration, though data are usually obtained from the government at regular intervals rather than in real time.

The second instance of hybridity emerging from algorithmic governance is linked to the more general development of digitalization, but it highlights the use of algorithmic reasoning in automated decision-making. Algorithmic governance often builds on commercial and proprietary digital platforms and code that is produced by private companies. It hence implies hybridity in a traditional sense that blurs the boundaries of public and private. But more importantly, we now see a new modality of hybridity emerging, one in which there is a blurring of human and non-human agency. In public governance this mostly manifests itself in automated decision-making, through which the decision is fully or in part made or prepared by algorithmic reasoning. While most automated decision-making is still rules-based and mostly follows legal codifications, there are also self-learning systems that alter their own behaviour, granting them more autonomy and blurring the agency in decision-making. This creates new problems of regulation and accountability in hybrid governance that go beyond the traditional dilemmas of the public–private divide.

Algorithmic government and the automation of decision-making has introduced new elements of agency to the mix of hybrid governance, now consisting not only of public–private actors, but also human and non-human agency in decision-making. This is a new addition to the study of hybrid governance, which has traditionally focused on the organizational aspects of the agents involved. As the above discussion indicates, the automation of decision-making based on algorithmic reasoning poses various challenges to government accountability, which often assumes clearly definable decision-making procedures as well as a pre-defined and recognizable actor making the final decision, which often is not the case with algorithmic reasoning and automated processes. Chains of responsibility are already difficult to establish with simple rule-based automation, but they become even more difficult to identify with learning systems that might even alter their own functionality. The interconnectedness of public and private actors and data sources has also intensified with public organizations using proprietary algorithms and data stemming from private actors, as well data generated by the subjects of governance themselves who now are under real-time surveillance.

The third instance of hybridity discussed in this chapter is identified in the production and use of policy indicators. It links to the two other instances of hybridity. The transnational governance indicators use various data sources, also stemming from national administrations that have made their data available for general use. But more importantly, the digitization of indicator data also enables close collaboration between indicator producers that now habitually exchange data sources among themselves. The indicators themselves are fundamentally algorithms, based on logical operations to assess and rate the measured entities according to set criteria. But the indicators also increasingly use algorithmically harvested data that stem from private companies and platforms such as Google.

Governance indicators as algorithms also imply other types of hybridity. The indicators are based on data sources stemming from various types of actors, both public and private. In similar fashion, the metrics are produced by public and private organizations alike, also often in collaboration. There is also a new trend of using processual data stemming from various digital platforms and services in the metrics. This implies strong interdependence between the different actors producing the data, including again the subjects of measurement. While the metrics provide no real-time view of their measured entities, they have nevertheless accelerated the cycles of comparative external assessment of national governance and policy. The hybrid nature of the metrics and their producers makes the chains of accountability obscure, particularly for those producing the indicators.

To summarize, hybridity through digitization and its institutional effects call for contextual analysis of the institutional developments and tensions. Most notably, hybridity through algorithmic governance blurs the accountability relations (who is accountable, for what, and to whom) and mechanisms (how) (Mulgan, 2000). While hybridity is often understood in terms of public–private dichotomy (and its hybrid forms), algorithmic governance and automation of decision-making also highlights the need to consider the emerging hybrid forms of human and non-human agency, including its interconnectedness and temporality.

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4. Accounting and participatory governance for public sector hybridity

Evgenii Aleksandrov

INTRODUCTION

Hybridity has become an indispensable part of public sector development in recent decades. As such, there is a need to better understand the governance complexity involved in expanding organisational boundaries, multiple-values creation and collaborative processes among multiple actors (Grossi et al., 2021b; Grossi and Argento, 2022). Public sector hybridity can be seen as ‘the interaction among public, private and civil society via distinct modes of ownership, parallel but often competing institutional logics, diverse funding bases and various forms of social and institutional control’ (Vakkuri et al., 2021, p. 2). In this sense, the more complicated the systems of governance (Grossi and Argento, 2022), the more hybridisation we observe, and this necessitates thought-provoking empirical research on the interplay of private, public and civil activities across different domains (Vakkuri et al., 2021). Yet, a deeper understanding of collaborative efforts is still in high demand when we think of public sector hybridity and the role of civil society. This chapter addresses this demand by discussing the development of participatory governance (PG) and the role played by accounting in this development.

This discussion is interesting for two reasons. First, the relationship between PG and public sector hybridity remains relatively unexplored in the literature. I claim that PG becomes essential to public sector hybridity in addition to mechanisms of ownership, goals and institutional logics, funding schemes, and forms of social and institutional controls. PG requires asking ‘how hybrid activities and organisations combine the wishes of their multiple masters in value creation’ (Vakkuri et al., 2021, p. 3). Specifically, PG progression ensures consideration of citizens’ engagement and civil society interplay for value creation and allows a general understanding of how hybridity occurs in relation to the general public. PG has become a popular concept for any public sector initiative where many voices of actors are important (Hertting and Kugelberg, 2017). Moreover, within existing public–private–civil society interactions, participation is crucial in determining whether there is hybridity that considers all actors, including citizens (Ferry and Slack, 2022; Vakkuri and Johanson, 2020). Yet, PG also is considered to be a ‘magic concept’ (Pollitt and Hupe, 2011), with many different meanings and interpretations attached. As a self-standing phenomenon within a broader discussion of public governance (Grossi and Argento, 2022),¹ PG goes by various names, including collaborative, deliberative, democratic, interactive and empowered governance (e.g. Briggs, 2008; Fung, 2002; Fung and Wright, 2001; Skelcher, Sullivan and Jeffares, 2013; Torfing et al., 2012). Some claim that PG mostly covers interactions with citizens as individuals (Hertting and Kugelberg, 2017); others argue for taking a broader perspective on the groups of collaborators or actors involved to include non-governmental organisations (NGOs), activists and private entities (Fung, 2015; Newig et al., 2018). Thus, PG is a popular but vague concept, requiring further consideration via an interdisciplinary approach (Vakkuri and Johanson, 2020).

Second, the literature demonstrates complex connections between accounting and the role it plays in PG development and public sector hybridity. Some authors claim that complex relations between accounting and governance are intensified in hybrid settings (Vakkuri et al., 2021). Others suggest that accounting theory is not the ideal vehicle for understanding how to address hybridity (Grossi et al., 2017; Grossi et al., 2021b). Reflecting on the modern reality of increasing hybridisation of the public sector, Grossi and Argento (2022) expand their arguments about the changing role of accounting in response to different public governance approaches, stressing the interdependence of accounting technologies and PG. Nevertheless, the relationship between accounting and PG is partly ignored in the public administration/public management literature, despite its potential to advance both domains (Almqvist et al., 2013; Bracci et al., 2021; Grossi and Steccolini, 2014; Steccolini, 2018). Thus, in general, there remains little understanding of how accounting will play out in PG and public sector hybridity.

Following this problematisation, I juxtapose the public administration, management and accounting literatures to understand PG in the context of contemporary public sector development and, more specifically, the role of accounting² in PG. Mainly, I investigate how accounting is implicated in PG and identify the underlying challenges encountered on the way to public sector hybridity.

In considering this question, the chapter proceeds as follows: first, I discuss the general progression of how governments have moved from the mere procedures of representative democracy to a deliberative model of empowerment and citizen participation. Further, I reflect on PG mechanisms and related accounting techniques entailed in this move. Second, I discuss the current challenges of PG and related accounting techniques. Third, I address how future research can overcome these challenges by adopting alternative perspectives on democracy formation and new directions in organisational and social studies. Finally, I propose that future studies consider the meaning, role and underlying challenges of PG for public sector hybridity and the place of different accounting tools.

PARTICIPATORY GOVERNANCE: SEARCHING FOR A BRIGHT FUTURE

PG, as a concept, is ambiguous. Despite many definitions, most studies agree that it represents a deepening of the idea(l)s of deliberative and direct democracy (Fung, 2006, 2015). In a broader sense, PG suggests the formation of various mechanisms for stakeholder participation and engagement in decision-making on regional and city governance, including strategic, urban and financial planning (e.g. Klijn, 2012). More narrowly, PG refers to government-sponsored direct participation between (invited) citizens and local officials in concrete arrangements concerning problems that affect them, with the most attention given to unelected citizens rather than interest groups or voluntary organisations (Hertting and Kugelberg, 2017). In other words, PG is related to processes, structures and norms of collaboration between citizens, officials and politicians in making and implementing local policy. The establishment of PG may involve a variety of mechanisms or tools; for a review, see Klijn (2012). Examples of PG include initiatives such as mini-publics, citizen panels, neighbourhood councils, ecosystem spaces, living labs, collaborative dialogues, citizen co-visioning strategies, citizen urban co-construction initiatives, economy dialogue and community roundtables.

The point of departure in considering PG initiatives is a critique of traditional forms of representative democracy (see Figure 4.1), in which government operates through elected representatives who speak and act on behalf of an electorate (Robertson, 1985). Many studies point out that representative democracy is incapable of responding to the increasing complexity of society and its related demands (Klijn, 2012). In particular, researchers are increasingly acknowledging a democratic ‘deficit’ or ‘crisis’, with citizens no longer voting in elections due to dissatisfaction with existing politics and a low interest in, or detachment from, governance and the political decisions of powerful elites (Dryzek et al., 2019; Merkel, 2014; Nabatchi, 2010). This development is accompanied by a legitimacy challenge, whereby citizens mistrust the government and politicians (Danielsson, Hertting and Klijn, 2017; Hertting and Kugelberg, 2017; Warren et al., 1999). Moreover, the existing hierarchical model of accountability combined with excessively slow bureaucratic routines often result in governments being unresponsive to the needs of citizens (Danielsson et al., 2017; Robbins, Simonsen and Feldman, 2008; Warren, 2009).

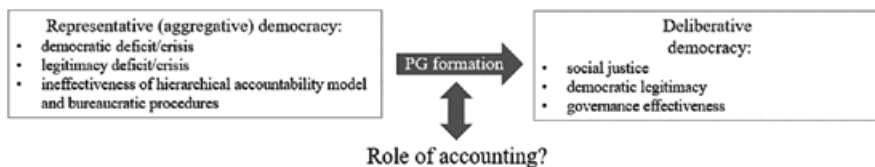


Figure 4.1 *Participatory governance promises and space for accounting*

In response to this critique, researchers suggest moving towards a deliberative model of empowerment and citizen participation. That said, PG has been referred to rhetorically as a ‘participatory turn’ (Tholen, 2015), ‘democratic innovation’ (Smith, 2009) and ‘investment into citizens’ (Sirianni, 2010) to renew and deepen democracy (Fung and Wright, 2001).

Although different aspects might be emphasised, the key promises of the deliberative agenda concern three interconnected elements: social justice, democratic legitimacy and effective governance (Fung, 2006, 2015). The social justice aspect supposes that participation gives divergent voices the opportunity to be heard irrespective of socio-economic status (Fung and Wright, 2003). In other words, the deliberative turn of PG promises to further include marginalised groups (Dryzek and Niemeyer, 2008; Fischer, 2006) and facilitate dialogue via a talk-centric approach (Chambers, 2003). PG’s promise of democratic legitimacy assumes that, through participatory practices, citizens will begin to trust the actions and decisions of local government (Fung, 2015) due to increased government transparency, which, in turn, will enhance their political interest, knowledge and empowerment (Cornwall, 2008; Pateman, 2012; Rogers and Weber, 2010). Finally, the effective governance element suggests that citizens can be active contributors to complex problem-solving in government by bringing together local knowledge, resources and capabilities and thus facilitating social learning (Emerson and Nabatchi, 2015; Lovan, Murray and Shaffer, 2017). Altogether PG may also influence the responsiveness of politicians and administrators in related policy fields and beyond (Ansell and Gash, 2008; Sørensen and Torfing, 2005).

In summary, the move from representative to deliberative democracy is the key promise of PG. However, the literature stresses that the point of PG is not to replace representative democ-

racy but, rather, to complement its deficient parts via participatory mechanisms (Danielsson et al., 2017; Kübler et al., 2020). At the same time, it can be argued that there is no established PG praxis beyond academic discourse and narrow projects (Hertting and Kugelberg, 2017), making it no more than a public administration fad (Arnstein, 1969) to generate electoral benefits (Wampler, 2015). In this regard, when examining the promises of PG, we must be aware that the shift to a deliberative model will not be easy, and we should consider the extent to which the existing institutional arrangements of representative democracy welcome this participatory turn in day-to-day practice (Danielsson et al., 2017).

Moreover, the role of existing management and governance tools in accommodating the participatory turn is also seldom addressed in the literature (Almqvist et al., 2013; Bracci et al., 2021; Grossi and Steccolini, 2014; Steccolini, 2018). In this regard, the next section addresses the role of accounting in PG and its general absence from the public administration literature (Steccolini, 2018). In particular, I provide examples of different forms of accounting that serve the interests of social justice, democratic legitimacy and effectiveness within PG.

ACCOUNTING IN AND FOR PARTICIPATORY GOVERNANCE

Accounting, in the general sense of a collection of calculative practices, has long been considered in public sector research (Lapsley and Miller, 2019), with more interest in the participatory agenda seen in recent decades (Almqvist et al., 2013; Bracci et al., 2021; Grossi and Steccolini, 2014; Steccolini, 2018). However, few studies track the forms and underlying practices of accounting in and for PG (see Figure 4.2).

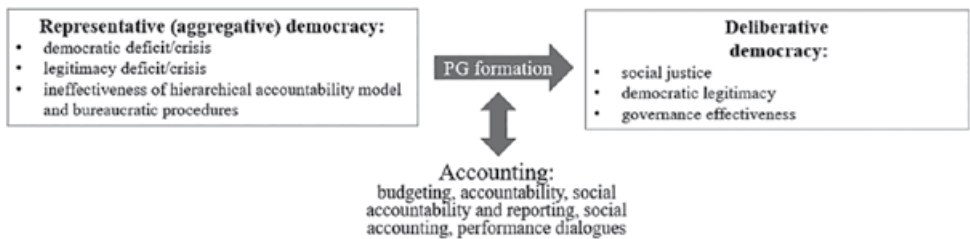


Figure 4.2 *Accounting in and for participatory governance*

Perhaps the most famous example of an accounting tool for PG in the public sector is participatory budgeting (PB). This citizen-driven social accountability mechanism involves citizens in budgetary decision-making (Malena and Forster, 2004) and stands in contrast to closed budgeting processes driven by experts and political representatives. PB is claimed by many to be at the forefront of democratic institutional renewal. In this sense, PB is, to a large extent, in line with PG, ensuring the aims of social justice, democratic legitimacy and effectiveness are on the agenda of both developed and less developed countries (Fung, 2015; Wampler, McNulty and Touchton, 2021). Similarly, new accountability initiatives allow traditional hierarchical accountability mechanisms to be replaced with multiple accountabilities – including internal and external (Romzek, 2000), vertical and horizontal (Bovens, 2007), 360-degree (Behn, 2001; Pollitt, 2003) and multifaceted accountability models (Grossi and Argento, 2022,

pp. 279–80) – thereby ensuring more responsive and democratically legitimate government actions.

Other important examples of accounting for PG are social accountability (O'Dwyer and Unerman, 2007) and social reporting (Gray, 2001) approaches and, in a broader sense, social accounting initiatives in the public sector context. For example, social (or participatory) accountability promises to improve the efficiency and effectiveness of public services by directly involving citizens and civil society groups in the monitoring process; see the participatory audit discussion in Yamamoto and Kim (2019). Social accounting, for its part, goes beyond the public sector domain and questions the general assumption of accounting as serving only one version of reality (Gray, 2002). Applied to PG, social accounting increasingly acknowledges the importance of generating multiple depictions of reality (Boyce, 2000) to pluralism and ensuring dialogue beyond dominant understandings of democracy (Brown and Dillard, 2015a; Brown, Dillard and Hopper, 2015). In other words, if we shift the deliberative democracy agenda, we also need to revise earlier accounts to support the promises of PG instead of following the same techniques. In the public sector context, two relevant initiatives are emerging in the field of reporting and performance measurement: popular reporting (PR) and dialogic performance measurement (cf. Chapter 15 in this volume).

As a citizen-centric tool for public communication and transparency, PR increases government responsiveness to citizens' needs, thereby strengthening democratic legitimacy and accountability (Cohen and Karatzimas, 2015). By these means, PR can be used as an essential tool for PG, fostering citizen involvement in local policy and decision-making (Aversano et al., 2019). Applied to link performance management and PG, so-called performance dialogues and dialogic performance management initiatives are also evident in the public sector (Rajala and Laihonon, 2018; Rajala, Laihonon and Vakkuri, 2020). The idea behind performance dialogues is that 'participants jointly interpret performance information and discuss it while identifying the actions needed to manage the performance according to this information' (Rajala and Laihonon, 2018, p. 4). As claimed, extending the boundaries of those who participate in dialogue in favour of citizens can open an interesting agenda on public sector performance from different aspects rather than just being pre-determined and delivered by government experts.

Thus, the examples of accounting tools presented here are evidence that accounting is currently developing within the context of (and for the purposes of) PG. Furthermore, within public sector organisations, there is an awareness that society is changing, and demand has increased for services beyond those typically offered by traditional structures of representative democracy and its related tools (Klijn, 2012). While much can be said about the promises of PG and related accounting tools, it is crucial to examine how said tools are used in practice as 'democracy is constituted in and through practices – it is always incomplete and in-process' (Norval, 2009, p. 313):

people are not democrats by virtue of the existence of institutions, laws and rights. They become democratic subjects by exercising their capacities for questioning, affirming, negotiating, and contesting the regimes and micro-practices of governance that shape and limit their lives.

That said, in the following section I discuss the current challenges in accounting to further PG, reporting on the findings in the public administration, public management, organisations, accounting and political studies literature.

CHALLENGES OF PARTICIPATORY GOVERNANCE AND ACCOUNTING TOOLS IN PRACTICE

Many interdisciplinary studies have considered the topic of accounting tools and the detailed workings of PG. Although some studies have found that PG initiatives can increase democratic legitimacy and promote effective governance (e.g. Abers, 2001; Adams, 2004; Allegretti and Herzberg, 2004; Michels, 2011), most question the democratic promises made by such initiatives and their often controversial results and challenges, which have been documented around the world (see Figure 4.3).



Figure 4.3 Challenges of participatory governance and related accounting tools in practice

When it comes to social justice and including marginalised or plural voices (Dryzek and Niemeyer, 2008; Fischer, 2006; Fung and Wright, 2001), research reveals that PG initiatives generate symbolic justice. It is evident that PG can function as effective ceremonial camouflage where the central (and usually only) voice is that of dominant elites (Flinders and Dommett, 2013; Hertting and Kugelberg, 2017). Moreover, PG can result in power and voice being given to particular groups rather than ordinary citizens (Fung and Wright, 2001; Hickey, 2004), thereby generating new forms of exclusion (Warren, 2009) and facilitating the so-called the 'tyranny of participation' (Christens and Speer, 2006).

Instead of the democratic legitimacy promised, a growing body of research shows that PG initiatives can increase external legitimacy (Dryzek et al., 2019), promote adversarial logic and strengthen overall governmentality rather than deepening democracy (Kübler et al., 2020). In this sense, participatory initiatives are essentially technical approaches to downsizing power and politics (Hickey, 2004). Moreover, governments may enact a type of forum shopping, with PG initiatives employed only when they suit the government's activities and current tasks (Fung and Wright, 2001).

Finally, instead of PG resulting in effective governance with citizens as co-producers of government-related problem-solving and policies, it is evident that the efficiency and existing expertise of local bureaucrats are still favoured in governance practice (Hertting and Kugelberg, 2017). That said, bureaucracy can take over participation and lead the participant to pre-determined 'correct' answers within existing administrative and policy domains (Irvin and Stansbury, 2004). In addition, there is the threat that, over time, PG will result in the same

routinisation and bureaucratisation as the previously existing system (Fung and Wright, 2001; Tholen, 2015), thereby generating apathy among citizens.

As a more critical point, some scholars claim that PG initiatives may lead to the collapse of existing governance institutions (Danielsson et al., 2017). For example, it is evident that PG initiatives may increase the problems they were meant to address because they reduce predictability, the clarity of priorities and accountability for public administrators (Irvin and Stansbury, 2004). This can, in turn, lead to the ‘Balkanisation of politics’, in which particular interests/priorities are advanced and others are forgotten or removed from the overall picture (Fung and Wright, 2001). Moreover, the pressures of participation and citizens’ expertise can downgrade or muffle the expertise of professional public officers in favour of a ‘Wiki-approach’ and may even increase dissatisfaction with public structures and services (Tholen, 2015).

Several underlying challenges explain the mismatch between PG promises and results. The first relates to issues of politics and power. Here, many studies acknowledge the unwillingness of elites and public professionals to step back and relinquish power; for an overview, see Hertting and Kugelberg (2017) and Swyngedouw (2005). However, in a few cases where this willingness exists, it is still arguable that real dialogue and deliberation are possible because of differences in participants’ power and social position (Fung and Wright, 2001).

The second area in which there is increasing discussion is the challenge for PG initiatives to complement existing taken-for-granted routines and structures of representative democracy and bureaucracy. In other words, the institutionalisation challenge should be taken seriously, since PG may result in many tensions arising within existing political and professional arrangements (Skelcher et al., 2013). PG must somehow combine new expressions with the existing rules of the game. For example, we still do not know much about how PG initiatives can complement bureaucracy and hierarchical accountability structures (Danielsson et al., 2017; Nabatchi, 2010). Previous studies on this issue have identified many blind spots and limitations in the relationship between PG initiatives and bureaucracy (Ariely, 2013; Neshkova, 2014; Tholen, 2015). For example, studies have considered the need for different knowledge, expertise and resources to participate (Fung and Wright, 2001; Musso et al., 2011); how amateur citizens collaborate or struggle with experts and bureaucrats (Robbins et al., 2008); the cost of participation (Irvin and Stansbury, 2004); and the lack of external competence or educational support of all sides (Musso et al., 2011). Finally, several studies emphasise the lack of systematic and administrative leadership (Fung, 2015; Musso et al., 2011) in the implementation of PG initiatives, along with the lack of agentic autonomy to foster thoughtful participation in existing intergovernmental relations (Neshkova, 2014). What is the role of accounting in each of these critical issues facing PG initiatives (cf. Chapter 12 in this volume)?

Unfortunately, here are limits to accounting being used to further PG. For example, in the case of PB, many studies suggest it has various shortcomings as a way of establishing PG (e.g. Ebdon and Franklin, 2006). These include window dressing by existing elites (e.g. Davidson and Elstub, 2014; Uddin, Gumb and Kasumba, 2011) and PB being exploited for political and economic interests (e.g. Célérier and Cuenca Botey, 2015; Harun, Van Peurseem and Eggleton, 2015; Kuruppu et al., 2016).

From an institutional and bureaucratic perspective, PG can be developed through a fairly administrative way of thinking (He, 2011) and can lead to monologue (Aleksandrov, Bourmistrov and Grossi, 2018) or the use of structures and elements that initially need to be replaced (Aleksandrov and Timoshenko, 2018). In this way, PG may promote external legit-

imacy instead of deepening democracy, thereby confusing effectiveness with efficiency and elite domination (for an overview, see Aleksandrov and Timoshenko, 2018).

Similarly, social accounting acknowledges the political and institutional challenges (Brown and Dillard, 2015a; Brown et al., 2015) faced by individuals who strive for dialogue that confronts the hegemony of existing business and economising/accounting language (Behn, 2001; Gray, 2001, 2002). In this sense, social auditing suggests taking cultural aspects of participation more seriously and appreciating the challenge of values ambiguity across areas (Yamamoto and Kim, 2019). In turn, PR and performance dialogues, while an interesting development, are rarely linked to other PG initiatives in practice (Aversano et al., 2019; Rajala and Laihonon, 2018), remaining limited to the area of transparency or a field of expertise (for exceptions, see Grossi et al., 2021a). Such accountability initiatives can also lead to so-called accountability and evaluation traps; i.e. accountability for the sake of accountability (Moynihan, 2006; Olsen, 2014).

Thus, it is evident that PG initiatives and related accounting tools are not a panacea to the multiple problems that exist in the public sector. Although accounting initiatives are changing under the PG agenda (Grossi and Argento, 2022), an increasing number of studies suggest that accounting is unable to meet the promises, expectations and current (and future) challenges of PG. Based on the examples presented, the main challenge is that, with few exceptions, most of the accounting practices claimed as deliberative tools for PG are, in actuality, not deliberative tools (Aleksandrov et al., 2018). In particular, previous studies show that the main reason for this situation is the very narrow approach taken to the institutional, political and practical aspects of accounting arrangements under PG.

Concerning institutional factors, the examples show that tensions exist within accounting that underly institutional, public administration and citizen-driven logics (Bartocci, Grossi and Mauro, 2018; He, 2011). The examples stress the long process of institutionalisation through day-to-day practice (Danielsson et al., 2017; Skelcher et al., 2013). Some studies reveal that institutional work is trapped in establishing accounting practices for PG (Aleksandrov et al., 2018) and that the institutional context and culture in place are often ignored (Uddin et al., 2011).

When it comes to political aspects, several studies reveal ignorance of power dynamics in establishing accounting tools for PG, whereas others suggest changing these power dynamics via accounting (Célérrier and Cuenca Botey, 2015; Harun et al., 2015; Kuruppu et al., 2016). Finally, in practice, challenges are presented due to the complex set of relations produced when accounting formations interact with existing bureaucratic accounts (Aleksandrov and Timoshenko, 2018); this is also due to the knowledge gap and lack of resources (Fung and Wright, 2001; Musso et al., 2011; Irvin and Stansbury, 2004). These concerns suggest that further analysis is required as well as novel perspectives that capture possible future directions in accounting and how technology is not only changing due to PG (Grossi and Argento, 2022) but, at the same time, is changing the future of PG.

MOVING FORWARD: NEW ACCOUNTINGS FOR PARTICIPATORY GOVERNANCE

The challenges and shortcomings of accounting in and for PG have attracted considerable attention in recent years. Below, I summarise the relevant literature and reflect on its potential to address the existing shortcomings of PG (see Figure 4.4).



Figure 4.4 New avenues for accounting for participatory governance

Pluralism and Accounting

Developments in environmental accounting and corporate social responsibility (CSR) reporting stress recognising the contested nature of accounting and the need for new accounting-forced processes rooted in pluralism; they also stress the acknowledgment of power imbalances. The literature refers to this as dialogic accounting (Brown, 2009; Brown and Dillard, 2015a, 2015b; Manetti, Bellucci and Oliva, 2021). A key aspect of this approach is revising traditional understandings of participation in representative and deliberative democracies in favour of so-called agonistic democracy (Laclau and Mouffe, 2014; Mouffe, 1999, 2000, 2013).

Compared to existing assumptions of PG as rational and depoliticised, the agonistic perspective suggests that stakeholder engagement is a strongly power-driven process (Mouffe, 1999).³ In other words, rational and neutral dialogue among participants is 'more [of] a fantasy' and communication and consensus remain problematic (Mouffe, 1999, p. 751). Instead, we must acknowledge the antagonisms through which 'social objectivity is constituted through acts of power' (ibid., p. 752). It is never the case that we achieve total emancipation in participatory initiatives; compromises are temporal in ongoing confrontation and emancipation partial (Laclau and Mouffe, 2014). In other words, reaching consensus in PG initiatives will always be conflictual and can be called conflictual consensus or even dissensus (Mouffe, 2000; Westphal, 2019), in which dialogue participants, while searching for win-win situations, realise that somebody will always win more (Mouffe, 2013). Such conflicts and understandings are not necessarily fixed but may, instead, create awareness among partici-

pants concerning plural voices; that is, it establishes conflictual dialogue. As such, dissensus and conflictual dialogues should allow pragmatic compromise on PG-focused topics where some trade-offs are unavoidable, and we need to tolerate the tension between efficiency and effectiveness (Westphal, 2019).

The task for PG designers and accounting tools is to make room for the manifestation of such dissent and conflictual dialogue. For example, instead of the random selection of participants, there could be a more selective conflict-oriented selection of citizens who acknowledge that the gap between positions is impossible to bridge (Westphal, 2019). Moreover, accounting can be an essential pluralistic tool for producing accounts and counter-accounts that challenge the status quo (Mouffe, 2013). This suggests that, instead of general aggregated accounts, we need to focus on heterogeneity and incommensurability (Mouffe, 1999). However, the possibility of accounting playing such a role and achieving emancipatory change is unclear; more research is required concerning possible accounting engagements in PG (Bebbington et al., 2007).

In the context of social accounting development, much progress has been made in the direction of pluralism by identifying methods to showcase alternative voices rather than dominant ones (Archel, Husillos and Spence, 2011; O'Dwyer, 2005). The point of departure is that existing accounting practice does not capture the requirements for true dialogue (Brown and Dillard, 2015b); instead, we have an accounting monologue.⁴ In this regard, the primary suggestion is that accounting bears the responsibility of providing stakeholders with relevant, timely and understandable information that enables them to engage in PG and 'scrutinis[e] organisational impacts from diverse perspectives' (Brown and Dillard, 2015a, p. 2).

Dialogic accounting principles⁵ or theory (Brown, 2009) suggest the need for a serious reframing of stakeholder engagement in this direction (Manetti et al., 2021). Applied to PG, dialogic accounting can open the possibility of presenting more pluralistic and conflictual aspects of the public sector (and of deliberation and dialogue) through new ideological orientations and definitions: what is legitimate accounting, what is accountability and efficiency, and what is performance?

Ideally, dialogic accounting for PG should establish an 'ethics of dissensus' (Brown and Dillard, 2015b), where 'stakeholder conflicts provide opportunities for creating value' (Brown and Dillard, 2015a, p. 974). Notably, even monologic framings and related accountings can foster emancipation potential (Brown and Dillard, 2015a). If moved in a pluralistic direction, these accountings might serve as boundary objects, thereby providing a meeting ground for those interested in pluralistic perspectives. For PG, such accounts can open alternative framings of agendas instead of being focused on deliberation through a single framework (Brown and Dillard, 2015a).

In the search for pluralism, suggestions have been made to develop dialogic approaches in the form of scenario workshops, dissensus conferences, positional analysis, Q-methodologies and deliberative mapping seminars (Brown and Dillard, 2015b; Manetti et al., 2021). The visualisation of existing accounts is also an interesting way to open existing framings for critical reflexivity (Brown, 2010), showing not 'accounting for the self' but 'accountings for others' (Brown and Dillard, 2015b). Examples of such initiatives are already evident in the environmental and CSR domain in the form of counter-accounting for realising the potential of PG (Apostol, 2015; Thomson, Dey and Russell, 2015) and illustrating the 'seeds of hope' offered by alternative dialogic accounts via monetisation and visualisation (Atkins et al., 2015; Byrch et al., 2015).

Overall, such developments open exciting avenues in accounting for PG. In particular, this pluralism has moved from social and environmental accounting to new domains, such as public sector accounting reform (Harun et al., 2015), smart city research (Aleksandrov et al., 2022), PR (Grossi et al., 2021a) and PB (Aleksandrov et al., 2018). A potential avenue for further research could be to further integrate dialogic accounting perspectives in these areas. For example, information is lacking concerning how participants within PB arrangements use existing accountings (e.g. Aleksandrov and Timoshenko, 2018); information is also lacking concerning the type of dialogic accounts and related measures that can further foster (or hinder) budgeting processes. Similarly, it might be valuable to investigate how PR is mobilised in PG initiatives and the limits of doing so (Grossi et al., 2021a). Social accountability and performance dialogues can, in turn, benefit from the critical approach of dialogic accounting and from assessing how alternative accounts are developed and whether they are taken seriously.

The challenges of dialogic accounting can be investigated further within existing PG initiatives, where dialogic accounting is seen as more than a technique of social legitimisation (Manetti et al., 2021). The interaction of new and old technologies could be given more focus. For example, how can bureaucratic tools, such as budgets, roadmaps, strategic documents and normative prescriptions, limit dialogic accounting developments and promote even further domination by particular voices through accounting practices in PG? What will be the role of social media in this agenda (Landi et al., 2022)? What counter-accounts and visualisations can support or reduce PG? What are the challenges connected with the development of data and big data and related data-protection initiatives? Moreover, what will be the role of education programmes, standard-setters and consultants in the formation of accounting for PG? What education and competencies are needed for these efforts?

Finally, what is our understanding of the voice and value embedded in particular accounts? Who creates them? How can they be conceived beyond economic terms by focusing, instead, on good life, progress, sustainability and social justice? What will be the limits of measuring and reporting value, and who will set these? These issues can be addressed by the multiple-values perspective presented below.

Multiple Values and Accounting

Similar to dialogic accounting, publicness (or a public value approach) claims to tackle the current democratic crisis and shortfalls of existing PG initiatives, including those associated with accounting (Nutt and Backoff, 1993; Steccolini, 2018). The point of departure here is acknowledging that a limited view of economising accountings' role is insufficient to meet the demands of existing complex social formations (Miller and Power, 2013). Instead, we should develop new accountings that can show the richness of publicness and foster participatory forms of organising in the public sector (Bracci et al., 2021). This perspective goes in line with discussion of the increasing complexity and hybridisation of the public sector (Grossi and Argento, 2022), stressing the formation of multiple values within public–private–civil society. There is, nevertheless, much more potential available in new accounting formations that take multiple values seriously.

Similar to the dialogic accounting point of view from social accounting, publicness concerns accounting research that meets public goals and diverse interests, rather than being about organisations and concrete spaces (Boyne, 2002; Bracci et al., 2021; Nutt, 2000; Nutt and Backoff, 1993). The theoretical underpinnings of the public value perspective (Moore, 1995,

2014), and public value accounting in particular, suggest the need to delve into the sociology of worth and valuation, showing more plural processes and the actors and institutional effects of accounting (Fukumoto and Bozeman, 2019). In a broader sense, this relates to the sociology of quantification (Espeland and Stevens, 1998; Power, 2004).

Based on Mennicken and Espeland (2019), quantification suggests studying the sociology of numbers in general and, particularly, how the formation of measures and counting metrics are enacted in practice. Quantification involves the aggregation of numbers (quantified qualities) into metrics and calculations in a broader sense. It enables new forms of comparison and commensuration of different entities (Espeland and Stevens, 1998; Power, 2004), becoming descriptive and prescriptive. This, in turn, suggests that numbers form particular quantification regimes, which both communicate and shape the particular reality of the public sector but also open up space for more contestable realities if properly performed. To explore the role of numbers in organising, Järvinen et al. (2020) suggest approaching accounting formation via an understanding of ‘other grammars of evaluation’ (Espeland and Stevens, 2008) and measures as socially created conventions rather than given (Espeland, 2016).

Such theorisation opens up exciting and overlapping dialogic accounting opportunities for PG by moving public sector accounting towards a ‘stretch zone’ of plural values and possible conflicts (Bracci et al., 2019). Overall, it suggests the need to push the boundaries of interdisciplinarity, encourage stronger pluralism in the public sector (Bracci et al., 2021) and rethink accounting philosophy and the practice of public value (Steccolini, 2018). For PG-related accountings and broader PG initiatives, it might be valuable to revise the very fundamentals of PG and public sector performance. In particular, how do we measure public performance, and what are the alternatives available for citizens considering plurality? How can such measures be integrated into PG initiatives, and what will they accomplish? Will they hinder or promote emancipation, and to what extent? How can we accelerate and expand such emancipation? What is the role of experts, consultants, researchers, educators and participants? Furthermore, what should we make of the co-existence of previous and current accounts, bureaucratic technologies and new PG initiatives? For example, how can PB be combined with public value budgeting (Douglas and Overmans, 2020)?

Finally, scholars of publicness and dialogic accounting have raised the importance of studying post-democracies and accounting. In particular, it is intriguing to examine the role of social media and populism (Steccolini, 2018). Thus far, both perspectives have caused doubt in this direction (Bracci et al., 2021; Manetti et al., 2021). In this regard, future studies can focus on how social media and populism unfold or hinder accounting possibilities in PG. The situation becomes even more dramatic when we think of crises, such as the COVID-19 pandemic. Thus far, it seems that the PG agenda can be easily stepped back despite its potential (Anessi-Pessina et al., 2020; Leoni et al., 2021). That said, how can accounting be a form of PG development in these circumstances? What measures can promote or hinder inclusion, representation, alternative voices and government responsiveness during and after the COVID-19 pandemic? Lastly, what can accounting do for PG in a time of global crisis and with respect to the need for greater public service resilience?

CONCLUSION

This chapter addressed how accounting is implicated in PG (Fung, 2006, 2015; Klijn, 2012; Hertting and Kugelberg, 2017; Smith, 2009; Tholen, 2015) and the underlying challenges faced in pursuing public sector hybridity (Grossi et al., 2021b; Vakkuri et al., 2021; Vakkuri and Johanson, 2020). Although this topic has attracted much attention across different literature streams, there remains a lack of deep understanding and no overview of the field available (Almqvist et al., 2013; Bracci et al., 2021; Grossi and Argento, 2022; Grossi and Steccolini, 2014; Steccolini, 2018). In this chapter, I have unpacked the development of PG and the role of accounting in this development (Figure 4.4).

As mentioned, PG is seen as promising a range of benefits to public sector hybridity in the move from representative to deliberative democracy (Fung, 2006, 2015). These promises include social justice, democratic legitimacy and effective governance (Chambers, 2003; Dryzek and Niemeyer, 2008; Emerson and Nabatchi, 2015; Fischer, 2006; Fung and Wright, 2003; Lovan et al., 2017; Pateman, 2012; Rogers and Weber, 2010). Accounting, in turn, is changing (Grossi and Argento, 2022) and is expected to meet PG's promises via tools such as PB (Wampler et al., 2021), multiple accountabilities (Grossi and Argento, 2022), social accountability (Brown and Dillard, 2015a; O'Dwyer and Unerman, 2007), social accounting (Gray, 2001), PR (Aversano et al., 2019; Cohen and Karatzimas, 2015) and performance dialogues (Rajala and Laihonon, 2018; Rajala et al., 2020).

However, despite these promises, PG initiatives and related accountings are not easy solutions to the thoughtful interplay among multiple actors, such as citizens and civil society, and the pursuit of common value creation (Vakkuri et al., 2021). As revealed in this chapter, accounting tools are changing with increasing governance complexity and greater hybridisation (Grossi and Argento, 2022), but they do not automatically result in the voices of multiple actors being included and their demands met in a common way (Chapter 9 in this volume). Instead, they produce both possibilities and limitations for tackling the social and participatory aspects of governance, including promoting external rather than democratic legitimacy and deprioritising effectiveness and social justice in favour of efficiency, domination by elites and business as usual (e.g. Brown and Dillard, 2015a, 2015b; Brown et al., 2015).

As revealed in the chapter, the main reasons for accounting being unable to meet the promises of PG include, but are not limited to, power issues (e.g. Célérier and Cuenca Botey, 2015; Davidson and Elstub, 2014; Harun et al., 2015) and institutionalisation issues (e.g. Aleksandrov et al., 2018; Danielsson et al., 2017; Uddin et al., 2011). Moreover, much depends on bureaucratic procedures (e.g. Hertting and Kugelberg, 2017; Irvin and Stansbury, 2004; Tholen, 2015), administrative leadership and autonomy in accounting practices in support of PG. Also important are the new competencies, education and resources required for such accounting (Fung and Wright, 2001; Musso et al., 2011; Neshkova, 2014). In this regard, the chapter is consistent with the call for a deeper investigation into how accounting practices work in co-production and other collaborative arrangements (Grossi and Argento, 2022). However, I also suggest rethinking the very nature of accounting and how it is changing PG directly and indirectly by addressing pluralism, power imbalances and understandings of value.

Specifically, to address the presented limitations of accounting for PG and related accounting tools in the future, I offered two proposals based on interdisciplinary literature across the fields of public administration, public management and accounting. The first proposal is

related to pluralism theorisation and related dialogic accounting developments for PG, which could potentially open space for those interested in pluralistic perspectives (Brown, 2009; Brown and Dillard, 2015a, 2015b; Manetti et al., 2021). The second proposal challenges the agenda of public accounting for PG by taking a multiple-values perspective (Bracci et al., 2021; Moore, 1995, 2014; Steccolini, 2018) and by rethinking the taken-for-granted understanding of how public value is created and for whom. Together, these are exciting avenues for further research on accounting for PG development within and for hybridity in different public sector spheres.

Relating the arguments above to the relationship between accounting, PG and public sector hybridity (Grossi et al., 2017; Grossi et al., 2021b; Vakkuri et al., 2021), further research should take a critical view on the interaction between multiple actors, citizens and civil society, and the place of accounting in this. With regard to the key mechanisms of hybridity related to ownership, goals and institutional logics, funding schemes and forms of social and institutional controls (Vakkuri et al., 2021), future studies could address a series of related questions concerning accounting limitations. For example, how should we account for the ownership of hybrid organisations and, in particular, how can accounting identify the ownership and funding schemes for citizens and address possible power disbalances when participation is promised? How are open and multiple accounting tools used when competing goals and institutional logics are attached to public governance? How do accounting tools influence social and institutional controls when participation is promised? Moreover, if public sector hybridity stresses common value creation through mixing, compromising and legitimising (Grossi et al., 2021b; Vakkuri and Johanson, 2020), what are the challenges for accounting and relations with citizens and civil society?

While the discussion and conclusions here provide new insight into how accounting will play out in PG and public sector hybridity, this conceptual chapter has several limitations, opening space for further studies. First, in terms of methodological limitations, this chapter only briefly considers the promises and limitations of accounting for PG and public sector hybridity. Further studies are needed to ensure a more systematic overview of the literature, to rigorously examine the claims presented in this chapter and to further examine the reasons for the limitations of accounting. Second, the suggestions to move to pluralism and multiple-values accounting can generate utopian visions rather than something that will work in practice. In this regard, in line with Grossi and Argento (2022), I encourage future studies to provide further empirical illustrations of whether and how this proposal can really change the public sector. Lastly, the chapter focuses on PG as a public governance formation in the context of increasing complexity and hybridisation (Grossi and Argento, 2022). Future studies could further scrutinise the promises and limitations of accounting via integration with other forms of public governance, such as network and digital governance.

NOTES

1. Based on extensive analysis of public sector progression performed by Grossi and Argento (2022), three forms of public governance can be identified: network, participatory (or collaborative) and digital. This chapter focuses only on participatory (or collaborative) governance.
2. In this chapter, in referring to accounting, I generally mean the different tools and approaches related to calculative practices, including accountability arrangements, budgeting, financial accounting, performance measurement, auditing and reporting. It is worth noting that I conceptualise accounting

as part of the mechanisms of PG, and not vice versa. In other words, the key assumption is that participatory mechanisms need support from accounting (Grossi and Steccolini, 2014; Steccolini, 2018).

3. This chapter opens up discussion of the general aspects of power and politics to questions concerning the existing boundaries of accounting in PG. Nevertheless, the chapter is limited in its unpacking of details, and, on these issues, I recommend the discussion in Brown et al. (2015).
4. Monologic accounting and accountability are associated with the production of the conventional mainstream, which is overwhelmed by the pre-given values and assumptions of neo-liberal and capitalistic ideologies (Brown, 2009).
5. Critical dialogic principles include recognising multiple ideological orientations, avoiding monetary reductionism, being open about the subjective and contestable nature of calculations, enabling accessibility for non-experts, ensuring effective participatory processes, being attentive to power relations, recognising the transformative potential of dialogic accounting and resisting new forms of monologism (Brown, 2009).

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PART II

ACCOUNTABILITY IN HYBRIDISED PUBLIC GOVERNANCE: THEORY AND PRACTICE

5. Manifestations of hybrid accountability in horizontal network governance

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INTRODUCTION

Alliances consisting of public, private, and voluntary sector operators can erode public accountability in network governance (Rajala and Kokko, 2022). Firstly, shared responsibilities between public, private, and voluntary sector service producers obscure who is responsible and for what (Willems and Van Dooren, 2011). If responsibilities are unclear, it is difficult to assess how well different actors fulfill their tasks in the network. Secondly, reduced political and administrative control over service production makes it difficult to hold actors accountable in such collaborations (Sorsa and Johanson, 2014), which weakens public accountability. Public accountability is the relationship between an actor and an accountability forum that evaluates and judges the actor's performance. In public accountability, the actor must explain and justify their conduct to the forum, which can pose questions and judge whether the actor's performance was acceptable. This judgment introduces consequences for the accountable actor in the form of either sanctions or rewards (Bovens, 2007).

Due to this risk of eroding public accountability in network governance that involves cross-sectoral actors, the competence to generate hybrid horizontal accountability systems has been highlighted by Shaoul, Stafford, and Stapleton (2012). Developing such competence is associated with knowledge about hybrid horizontal accountability because such knowledge enables more systematic considerations and designs of horizontal accountability systems that serve governments, business enterprises, and the voluntary sector (e.g., Stafford and Stapleton, 2022).

Typically, public accountability in government operations becomes more hybrid when public service organizations switch from government production to partnerships between public, private, and/or voluntary sector organizations (Vakkuri et al., 2021a). In public-private partnerships (PPPs), public accountability mixes public and private sector forms of control (Forrer et al., 2010). By contrast, public and voluntary sector collaborations fuse community controls and public sector controls. More extreme versions of this mixing can be seen in alliances in which public, private, and voluntary sector managers become simultaneously accountable to public, private, and voluntary sector actors (e.g., Rajala and Kokko, 2022).

To develop an understanding of mixed accountabilities, this chapter investigates how six traditional accountability modes become more hybrid in network governance (cf. Chapter 6 in this volume). This study contributes to what Erkkilä (2007) has been calling the understanding of transformed traditional accountabilities. Each of these transformed accountabilities is a manifestation of hybrid accountability in horizontal network governance. We consider how (1) administrative accountability (Bovens, Schillemans and Hart, 2008; Koliba, Mills and Zia, 2011), (2) judicial accountability (Mulgan, 2003), (3) market accountability (Mashaw, 2006),

(4) political accountability, (5) professional accountability (Romzek and Dubnick, 1987; Sinclair, 1995), and (6) social accountability modes (Bovens et al., 2008; Mashaw, 2006) become hybridized. Furthermore, we examine how hybridity develops from the combination of administrative, judicial, market, political, professional, and social accountability modes in the accountability processes of network governance. By network governance, we mean pluricentric forms of governance that take place in the network of actors from the public, private, and voluntary sectors (e.g., Van Kersbergen and Van Waarden, 2009).

In this chapter, we use the term ‘accountability mode’ for three reasons. Firstly, we want to separate different types of accountabilities, and the concept of mode is suitable for this purpose. For example, as an accountability mode, political accountability is one manifestation of accountability, whereas social accountability is another accountability mode and a different manifestation of accountability. Secondly, the concept of accountability mode allows us to discuss two types of hybridity: hybridity within an accountability mode (e.g., hybridity within a judicial accountability mode) and hybridity arising from combinations of different accountability modes (e.g., hybridity arising from the combination of social accountability and political accountability). Thirdly, it is often more economical to use the term ‘accountability mode’ than to list the six different accountability modes that we examine.

We focus on a particular form of public accountability known as horizontal accountability. Horizontal accountability centers on the accountability relationship between the actor and a forum consisting of bodies with equal standing in public service production (Bovens, 2007). In our analysis, we examine horizontal accountability between public, private, and voluntary sector actors who are alliance partners and form a multi-actor network that utilizes unanimity in the decision-making. These alliance partners plan and set joint goals while sharing the risks and benefits of joint service production. Accountability in an alliance has been called hybrid horizontal accountability when private sector actors are accountable to public and voluntary sector actors, and vice versa (Rajala and Kokko 2022). In the examined case, we identify how specific accountabilities, such as social and market accountability, become hybridized.

The rest of this chapter is structured as follows. In the section titled ‘Conceptual Backdrop: Accountability Modes’, we describe the traditional accountability modes examined in this study. In the following section, ‘Toward an Analytical Framework: Building Blocks of Hybrid Accountability Modes’, we use traditional accountability modes to construct our analytical framework for analyzing hybrid accountability. The theoretical discussion is followed by a section called ‘Contextual Background: Introduction of the Accountable Care Organization’, which describes the characteristics of our empirical case. In ‘Research Design, Data, and Methods’, we explain our research methods, then we move onto the empirical analysis of hybrid horizontal accountability in the section called ‘Empirical Analysis: Establishing Hybrid Accountability Modes’. The last section presents conclusions.

CONCEPTUAL BACKDROP: ACCOUNTABILITY MODES

Administrative accountability mode usually refers to the fact that public administrators monitor each other in multiple ways (Byrkjeflot, Christensen and Læg Reid, 2014). On the one hand, administrative accountability may indicate program accountability and various actors within the government who demand responsibility for a program’s results (Witthoft, 2003). On the other hand, administrative accountability can be ‘related to a person’s position

in a hierarchy whereby a superior calls a subordinate to account for his or her performance of delegated duties' (Christensen and Lægheid, 2015, p. 209). Both program accountability and hierarchical accountability can be based on answerability or expectation management. 'Answerability' refers to the control that is used to align administrators and their actions to the goals and priorities of the principal. By contrast, the expectation management perspective allows the accountable actor to identify, define, and manage diverse expectations imposed on the organization by stakeholders (Acar, Guo and Yang, 2008). In practice, administrative accountability may present itself in multiple ways. Some of these are captured in Appendix 5.1, which lists manifestations of administrative accountability in the public sector.

Compliance with laws and regulations is at the heart of the judicial accountability mode (Romzek and Dubnick, 1987), which indicates that the hand of the law reaches not only politicians (Rose and Wessels, 2019) and public managers but also private companies (Dillard and Vinnari, 2019). Judicial accountability alludes to formal institutions such as courts, where the person in charge must defend their actions in light of established legal rules. As legal frameworks cover many aspects of the public sector (Mulgan, 2003) and markets (Shihata, 1996), judicial accountability is very present in various situations and operations in the public, private, and voluntary sectors' domains. Appendix 5.2 provides examples of judicial accountability from the public sector.

The market accountability mode can operate through customers or investors (Grant and Keohane, 2005). In market accountability, private sector producers are accountable to the client through market competition: customers choose other producers if there are problems with the product or service quality (Mashaw, 2006). Service quality standards are typically based on the contractual or purchasing agreement between customers and companies (Mulgan 2006). Nevertheless, the consumer may also stop buying a company's products because of its poor reputation or adverse environmental or human resource practices (Grant and Keohane, 2005). The company may also face fines for contract infringements (Mulgan, 2006). As an account holder, an investor can provide financing to the flourishing company or pull their investments if performance is inadequate (e.g., Baudot, Dillard and Pencle, 2022). Typical forms of market accountability are collected in Appendix 5.3.

The political accountability mode usually focuses on a politician's ability to meet political demand (Archard, 2013). Political accountability is demanded when a problem is viewed as political rather than technical or professional (Fenno, 1978). In political accountability, the focus is on whether the course of action is consistent with other political actors' and stakeholders' interests (Mayhew, 2004). Political accountability can operate through various mechanisms, such as elections, legislatures, policy dialogues, or even media (Mulgan, 2003). Some of the many faces of political accountability in the public sector are presented in Appendix 5.4.

Responding to the demands of civic society is a core theme that necessitates social accountability (Boyce and Davids, 2009). Social accountability highlights the fact that public administrators often respond to the community values of various audiences, such as clients, interest groups, and the media (Brummel, 2021). Similarly, companies must respond to community values in their social accountability schemes. Social accountability is based on direct or indirect civic engagement with citizens and civil society organizations. This civic engagement holds politicians, policymakers, and service providers responsible for their performance (Mafuta et al., 2015). Socially oriented outcomes offer criteria against which actions are judged (O'Dwyer and Unerman, 2007). A few examples of social accountability from the public sector are gathered in Appendix 5.5.

Adherence to professional norms and values represents the professional accountability mode. This type of accountability is ensured through collective appraisal of the professional work and behavior in a specific profession (Mashaw, 2006). Members of a certain profession are responsible to other members of the same profession because they are trained, steered, and socialized by their peers (Noordegraaf, 2020). In Weberian terms, professional accountability is based on substantive rather than formal calculative rationality (Broadbent and Laughlin, 2009), which indicates that the other forms of accountability have often been seen as counter-productive or a threat to professional work (Vriens, Vosselman and Groß, 2018). However, according to recent studies, managerial accountability and the conduct of professional work can be aligned with good institutionalized managerial practices based on hybrid logic (Noordegraaf, 2015).

Professional accountability is closely connected with the concept of discretion. Professionals work in well-organized professions with judicial autonomy to conduct specific tasks and make case-sensitive trade-offs based on their discretion. A professional utilizes their esoteric knowledge and applied skills to propose a treatment for the client (e.g., McGivern et al., 2015). Professional accountability comes in many forms; professional logic differs (e.g., Dunn and Jones, 2010), and several professions exist among public administrators, street-level bureaucrats, and politicians (Laffin, 2018). Appendix 5.6 offers various examples of the professional accountability mode.

Collaboration across sectoral boundaries in governance networks introduces hybridity to accountability modes. Public, private, and voluntary sectors have their own market, judicial, administrative, professional, social accountability (e.g., Williams and Taylor, 2013), and political accountability modes (e.g., Mulgan, 2003). Thus, hybridity emerges when cross-sectoral collaboration must simultaneously serve different sectors' accountability modes (Willems and Van Dooren, 2011).

TOWARD AN ANALYTICAL FRAMEWORK: BUILDING BLOCKS OF HYBRID ACCOUNTABILITY MODES

The literature indicates that hybridity within an accountability mode can be constructed in three ways (e.g., Benish and Mattei, 2020; Fimreite and Læg Reid, 2009; Rajala, 2020). We use administrative accountability as an example, although the same main arguments could be made using the other accountability modes. Figures 5.1 and 5.2 provide practical examples of all six hybrid accountability modes.

The first way to create a hybrid accountability mode is to combine two or more service-specific accountability mode variants (e.g., Fimreite and Læg Reid, 2009). As administrative accountability usually has a different connotation in library organizations than in healthcare organizations, there exists different administrative accountability mode variants: a variant for library and another variant for healthcare (Rajala, Laihonon and Vakkuri, 2020). Performance criteria, reporting practices, rewards, and punishments vary between services because the priorities of account holders for accountability processes vary in different services. When one attempts to create a joint accountability system for library and healthcare organizations, these different administrative accountability mode variants are merged (at least to some extent), thus establishing a new hybrid accountability mode. In their study, Rajala and Kokko (2022) illustrated this by describing how a library organization became accountable to a public sector healthcare organization for its costs, and vice versa, when both units moved into the

same facilities and established a joint budget. This type of arrangement layers horizontal accountability between healthcare and library actors over vertical accountabilities of these actors which operate within the government. More examples of service-specific accountability mode variants and hybridity in different accountability modes are shown in Figure 5.1. To demonstrate theoretical and practical differences in accountabilities (e.g., who is accountable to whom and for what), Figure 5.1 uses a Finnish example in which attempts were made to boost the learning outcomes and welfare of children who were in foster care and participated in primary education.

Secondly, it is also possible to mix different sector-specific accountability mode variants (e.g., Benish and Mattei, 2020; Watson, 2003). As public, private, and voluntary sectors have their own variants of the administrative accountability mode (e.g., Williams and Taylor, 2013), hybridity emerges when cross-sectoral collaboration must simultaneously serve the administrative accountability systems of different sectors (Willems and Van Dooren, 2011). The need to simultaneously serve accountability modes in cross-sectoral collaboration (Kokko and Laihonon, 2022) means that two sector-specific accountability mode variants are incorporated into the joint accountability system for public and private sector healthcare organizations (Acar et al., 2008). Here, the private sector has a different accountability mode variant in the healthcare industry than the public sector because there are sectoral differences related to administrative accountability processes in healthcare. Examples of sector-specific accountability mode variants and hybridity in different accountability modes are presented in Figure 5.2.

Thirdly, service-specific accountability mode variants that are specific to the public sector can be merged with service-specific accountability mode variants that are specific to the private or voluntary sectors (e.g., Rajala, 2020). Attempts to create horizontal accountability processes between public and private healthcare organizations and public sector social care organizations depend on the identification of three types of compatibilities: compatible private sector healthcare and public sector social care accountabilities for administration, compatible public sector healthcare and social care accountabilities for administration, and compatible public and private sector healthcare accountabilities for administration (Rajala et al., 2020). This type of administrative accountability combines the hybridity seen in figures 5.1 and 5.2.

In addition to the above, we argue that hybridity can be created by combining separate accountability modes. Here, there are two scenarios. In the first scenario, an organization can combine one accountability mode with another (e.g., social and market accountability processes are combined into one accountability process). The second hybridization process of accountability modes combines, for example, hybridized social accountability mode with hybridized market accountability mode. In the most extreme example, social accountability variants of different sectors are attached to administrative, judicial, market, political, and professional accountability mode variants of different sectors. The formation of hybrid accountability modes depends on (1) how well network partners can align different accountability mode variants within an accountability mode and (2) how network partners can combine hybridized market, professional, judicial, administrative, social, and political accountability modes in the network's joint accountability. In practice, hybrid accountability modes are often based on identifying goals, measures, performance reports, duties, and incentives that suit all alliance members taking part in network decision-making (Chapter 2 in this volume). Such an approach is used because public, private, and voluntary sector actors are socialized to recognize which goals, measures, performance reports, duties, and incentives are relevant to them and therefore to their accountabilities (e.g., Rajala, Laihonon and Kokko, 2021).

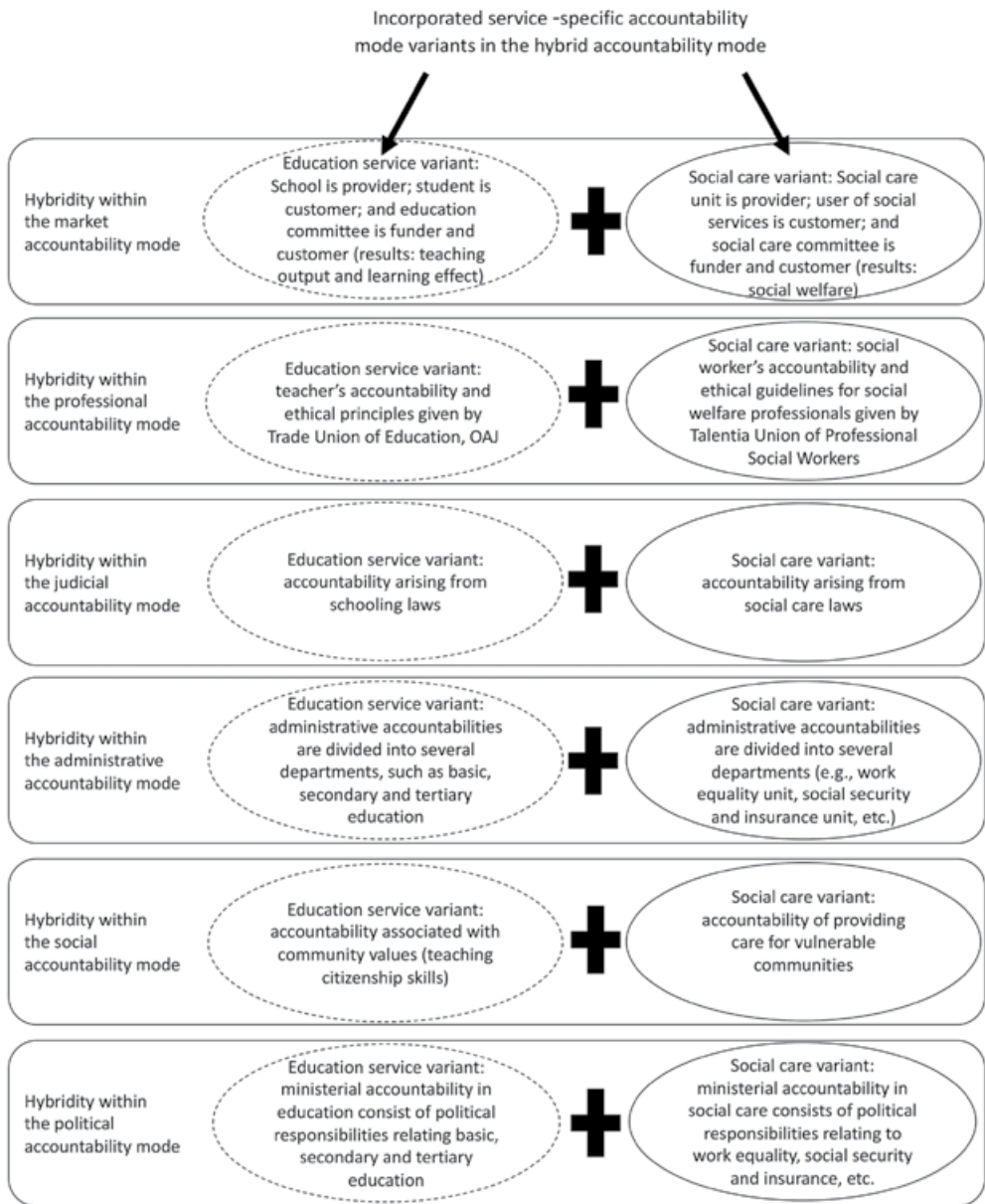


Figure 5.1 Service-specific accountability mode variants and hybridity in different accountability modes

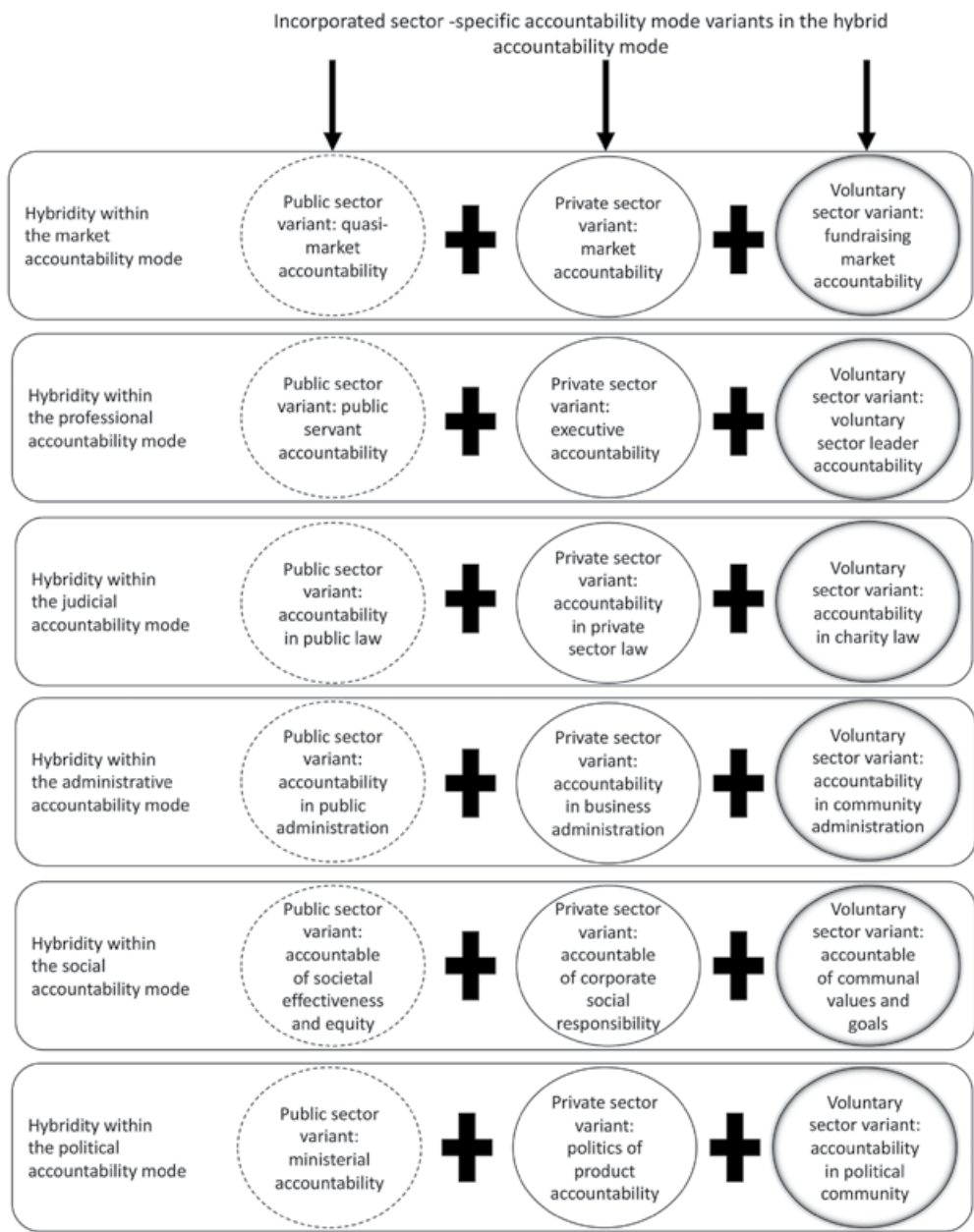


Figure 5.2 Sector-specific accountability mode variants and hybridity in different accountability modes

CONTEXTUAL BACKGROUND: INTRODUCTION OF THE ACCOUNTABLE CARE ORGANIZATION

Past studies have argued that the most drastic changes occur in accountability when reforms introduce hybrid governance solutions to welfare services. In such reforms, the hybridization of accountability introduces tensions and complexity (Byrkjeflot et al., 2014), which highlights the need to influence the formation of hybrid horizontal accountability relationships as an approach to conflict resolution. Based on past research, planning sessions influence the formation of hybrid horizontal accountability and are used to define four elements: (1) joint goals and measurements that serve public, private, and voluntary sector interests; (2) operational and reporting responsibilities for collaboration partners in the alliance; (3) incentives to ensure each partner's commitment; and (4) cross-sectoral decision-making bodies to monitor, discuss, and judge network performance (Rajala and Kokko, 2022). Defining these four elements makes it possible for the planner to influence which public, private, and voluntary sector accountabilities are linked in network governance and which service-specific accountabilities are combined (e.g., whether to combine accountabilities seen in healthcare and education). The alliance does not need to add all of the partners' accountabilities to the collaboration. Through joint goals, measures, reports, incentives, and decision-making bodies, some sector- and service-specific interests and accountabilities that protect the promotion of these interests can be brought together (e.g., Rajala et al., 2021).

To investigate and theorize about the formation of hybridity, study subjects immersed in hybrid horizontal accountabilities offer a suitable platform for theoretical developments. The different forms of hybridity in horizontal accountability are more likely to be present when the chosen case combines service-specific accountability mode variants from the public sector with service-specific accountability mode variants from the private sector. Therefore, we chose to study a municipality that established several alliances by involving public, private, and voluntary sector actors in the planning of (1) joint goals and measurements that serve public, private, and voluntary sector interests; (2) operational and reporting responsibilities for collaborating partners in the alliance; (3) incentives to ensure each partner's commitment; and (4) cross-sectoral decision-making bodies to monitor, discuss, and judge the alliance's performance. In this chapter, we use an alliance established by the municipality with private and voluntary sector actors as an example of hybrid horizontal accountability. This alliance was called an accountable care organization (hereafter referred to as VHO, an acronym for the organization's Finnish name).

In 2019, increasing interest in value-based healthcare and integrated care models led to the launch of VHO. In the examined municipality, VHO consists of five members: the municipality, the hospital district, Heart Hospital (a public limited company mainly owned by the hospital district), Mehiläinen (a private company owned by private shareholders), and the Heart Association (a voluntary sector actor), also known as Hämeenmaan Sydänpiiri. Within VHO, the municipality operated as a service organizer, purchaser, planner, and provider. The hospital district, Heart Hospital, and Mehiläinen were service providers for heart patients and planners of VHO, whereas the Heart Association took part in the planning and service production as a partner. The Heart Association informed patients about health of the heart, promoted their interests, and organized social and sports events.

VHO focused on the organization and provision of a clinical pathway for heart failure patients and aimed to increase customer orientation, effectiveness, and cost efficiency in

the treatment of such patients. VHO's measures followed these key performance areas. In practice, VHO analyzes performance information of the partners and develops the service pathway, adopts digital services, improves palliative care, and upgrades the treatment and guidance of patients. The founding principles of VHO emphasize collaboration, information sharing, unanimity, shared responsibilities for results, zero tolerance for suboptimization, respectful behavior toward partners, and peaceful conflict resolution between partners.

In Finland, healthcare is mainly organized by municipalities and hospital districts governed by the federations of municipalities. Municipalities and hospital districts are accountable to citizens. Municipalities can purchase services from public, private, and voluntary sector actors, which typically means that the public sector acts as a principal and that service providers act as agents. However, this typical accountability model was modified in VHO when alliances were established. In VHO's case, the roles and responsibilities of actors were defined in the service agreement. In the management of VHO, the municipality mostly shared decision-making powers related to goals and operations with the other partners, although there were a few exceptions.

Decision-making in the two joint organs established for the administration of the VHO service network was based on the idea of unanimous decisions. The administration of VHO was based on steering and clinical groups that were formed for governing and monitoring purposes. Each partner was allowed to send at least one delegate to each group. The steering group accepted the goals and measures for VHO, provided guidelines to the clinical group, and monitored progress toward goal achievement. The clinical group was in charge of operational management and the development of activities, and reported to the steering group about its work. The monitoring system shared by partners in VHO integrated data of heart failure patients of each partner on a monthly basis. The integrated database enabled transparency and shared understanding between the actors. The shared database and decision-making process provided tools for inter-organizational accountability dialogues by enabling the evaluation of shared value, which in turn enabled shared accountability for the care of heart failure patients. Figure 5.3 presents the main features of the horizontal accountability system in VHO.

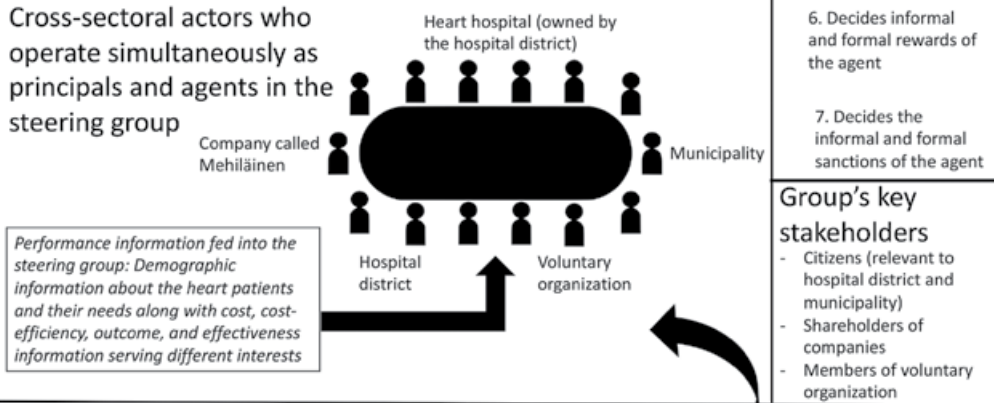
RESEARCH DESIGN, DATA, AND METHODS

The case selected for this research encompasses state and market actors and their accountabilities. According to Mullins, Milligan, and Nieboer (2018), such a case can provide an excellent avenue for understanding hybrid accountability. We opted for an information-rich case that enabled us to study the chosen research topic and triangulate our observations. The selected case municipality had recently established several alliances, two of which we studied. We studied VHO as an alliance and another one known as the welfare alliance. The case municipality was considered revelatory and offered the possibility of replicating one alliance's results in the second examined alliance. In this chapter, results from one alliance (i.e., VHO) were used to exemplify similar results observed in both established alliances. Both examined alliances used the same planning model (i.e., the alliance model) to establish the alliance and similar hybrid horizontal accountability. The case was instrumental, as we aimed to identify more general insights about horizontal accountability modes, not only case-specific patterns of hybridity.

Tasks of the VHO's steering group and public accountability

1. Defines the shared performance goals (sets evaluation criteria for the agent's performance)
2. Defines the joint key performance areas (defines duties of the agent)
3. Receives performance reports from clinical group (monitors the agent)
4. Discusses the performance results (has a dialogue with the agent about the results)
5. Makes judgements about the performance of the agent

Cross-sectoral actors who operate simultaneously as principals and agents in the steering group



Tasks of the VHO's clinical group and public accountability

1. Execution of operative management (implements agent's duties that are reported later to principal)
2. Development of the VHO (develop abilities to reach goals and enhance reporting)
3. Reports to steering group (explains and justifies conducts to principal)

Cross-sectoral actors who operate as agents and representatives of principals in the clinical group

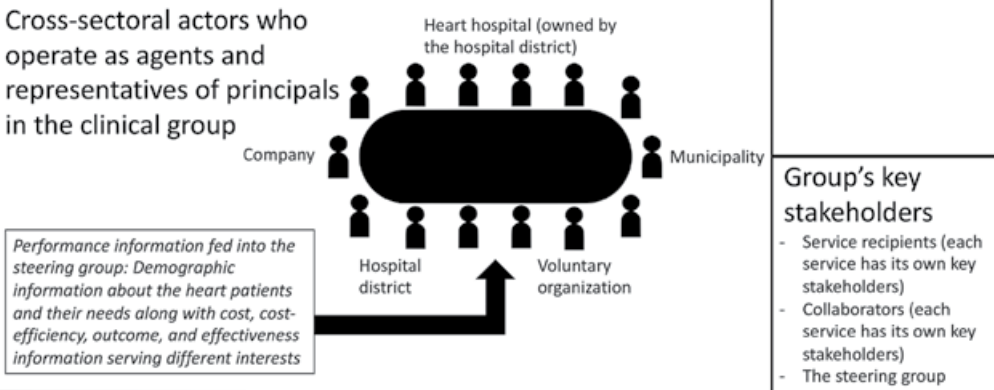


Figure 5.3 Tasks of cross-sectoral actors that influence the construction and maintenance of hybrid modes of accountability in VHO

This exploratory and interpretative case study used two types of data: documentation ($n = 70$) and interview data ($n = 14$). We analyzed contracts, news articles, public announcements made by various alliance actors, guidebooks and presentations that describe the formation of the alliances, annual reports by each partner, and strategies of partners in the established alliances. The chosen documents described the accountability system and each actor's responsibilities in the alliances. The interviews lasted 60–90 minutes, and one to three researchers participated in

them, depending on the interview. The interviews were recorded and transcribed verbatim by a professional. The interview questions used in the thematic interviews were guided by theory and are included in Appendix 5.7.

Two researchers read the interviews and documents, while one researcher coded the data. After the coding, researchers reflected on and discussed the coded results until agreement over the results was achieved. The qualitative document and interview analysis and related discussions focused on identifying forms of hybridity in the horizontal accountability modes. The qualitative analysis was guided by theory presented in the section called ‘Toward an Analytical Framework: Building Blocks of Hybrid Accountability Modes’.

EMPIRICAL ANALYSIS: ESTABLISHING HYBRID ACCOUNTABILITY MODES

Based on our observations, the first manifestation of hybrid accountability modes was joint performance goals and measures that could simultaneously support the accountabilities of different sectors. These goals and measures were used to set performance criteria for public, private, and voluntary sector accountabilities. Tables 5.1 and 5.2 show how one goal and its measure could be included in several accountability modes in the network. For example, the customer satisfaction goal and its measure were compatible with quasi-market, market, and fundraising market accountabilities, although customer satisfaction is typically associated with market accountability. By accepting the customer satisfaction measure and joint responsibility for the goal of customer satisfaction, public, private, and voluntary sector actors also established hybrid market accountability that served the interests of shareholders, citizens, and members of the voluntary sector. Moreover, customer satisfaction could be integrated into market accountability, social accountability, and other accountability modes. Customer satisfaction as a performance goal used by VHO had relevance across sectoral accountability mode variants and service-specific accountability variants. Such goals can link various accountability modes and their sector- and service-specific variants. It follows that failures and successes in achieving customer satisfaction influence a complex set of accountabilities. For example, achieving customer satisfaction influences rewards and sanctions in market, professional, administrative, judicial, and social accountability structures in all three sectors.

Table 5.1 Customer satisfaction goal, customer satisfaction survey, and hybrid accountability in the VHO

Accountability institution	<i>How the goal and measure serve accountability in public sector</i>	<i>How the goal and measure serve accountability in private sector</i>	<i>How the goal and measure serve accountability in the voluntary sector</i>
Market accountability	The service provider and the purchaser react to citizens' satisfaction over tendered public services purchased by public administrators (quasi-market accountability).	Service providers respond to customer preferences in functional markets. Customer satisfaction signals how well such preferences have been met (market accountability).	The municipality funds the voluntary sector organization based on the served customers. Customer satisfaction indicates how well the voluntary sector performs its tasks (fundraising market accountability).
Professional accountability	A public servant must treat service users equally. Unequal treatment of customers can be reported through customer satisfaction surveys (Administrative Law 2003/434).	The management of customer relations is one criterion in the evaluation of a chief executive officer.	The level of professionalism in the third sector is partly reflected by customer feedback. Customers are sometimes also part of the same profession (as is the case in organized training sessions involving social care professional as customers and instructors).

Table 5.2 Further assessment of customer satisfaction and hybrid accountability in VHO

Accountability institution	<i>How the goal and measure serve accountability in public sector</i>	<i>How the goal and measure serve accountability in private sector</i>	<i>How the goal and measure serve accountability in the voluntary sector</i>
Judicial accountability	Efforts must be made to organize the government affairs and the handling of the matter in a way that allows the citizen to properly receive the administration's services and the public authority to effectively perform its tasks (Administrative Law 2003/434).	According to the law, the seller is responsible for a defect in goods sold, and the buyer may demand the delivery of a new product, repair of the defect, or a price reduction and request compensation for the damages. Customer feedback can be used to report defects.	Legally, every association must promote the interests of its members. Customer feedback represents at least partially the views of members and promotes organizational accountability serving members.
Administrative accountability	Within the limits of their jurisdiction, the administrator will, as necessary, advise their clients on how to handle administrative matters and answer questions and inquiries concerning transactions. Customers who did not receive adequate advice can report this through customer satisfaction surveys (Administrative Law 2003/434).	Customer satisfaction surveys influence a company's performance. Management control systems of the companies often use customer satisfaction surveys.	The administration's goal was to support customers' personal growth by fostering skills, abilities, and social contacts that improve their quality of life and strengthen their ability to cope with life. Goal achievement was reflected in the customer feedback received.
Social accountability	Customer satisfaction is an indication of the effectiveness of public services and it can be used in social accountability systems.	Customer satisfaction is an indication of corporate social responsibility and can be used in social accountability systems.	Customer satisfaction is an indication of satisfaction within the local community and can be used in social accountability systems.

Political accountability was also considered in VHO. The political goal to endorse neoliberal values in the form of customer satisfaction offered a good platform for finding alignment between accountability modes. In the political circles of the public sector, customer satisfaction has strong positive political connotations across party lines. This tendency toward customer satisfaction can be seen from the strategic documents of the municipality involved in VHO. ‘Improved customer experiences’ is a strategic goal of the municipality and was measured using ‘customer satisfaction measures’. Customer satisfaction represents customer value, which is well suited to the politics of products and company values. After all, companies endorse market accountability, in which the customer plays a central role. Moreover, the voluntary organization emphasized the importance of customer satisfaction in its mission that reflects political values of the community.

The second manifestation of hybrid accountability modes was joint reporting that served the accountabilities of different sectors and services. This joint reporting was produced by public, private, and voluntary sector actors. Each organization in VHO had to consider how to provide reports that would be beneficial to VHO’s accountability processes. The private companies and voluntary sector organization also considered how they could contribute to the accountability processes of the public sector, and vice versa. Eventually, the monitoring of the services transformed in VHO from organization-centered monitoring to service chain monitoring covering all partner organizations. Instead of examining the inputs and outputs of individual producers, monitoring was conducted at the level of patient outcomes in the entire network. As described by one interviewee,

it makes sense to take the population perspective, then the patient perspective, then the clinical metrics, and then the patient-oriented metrics. Then, we get a balanced view about the effectiveness [of heart treatment in VHO] ... specifically, the cost effectiveness is covered in a balanced way.

To report the success of service production, VHO integrated electronic health and administrative records from the partner organizations. Moreover, the ‘open book principle’ between partners in VHO provided a solid premise for reporting by service providers. The open book principle meant that each member of the alliance shared their cost information related to the alliance with other partners. The principle enabled better access to information from different partners in VHO. The reporting system itself merged the private sector’s profitability and cost efficiency themes with public value themes adopted from what VHO called ‘value-based healthcare principles’. Thus, public, private, and voluntary sector managers focused on reports that included themes of profitability, cost efficiency, and public value. The reports also covered emotional and social well-being indicators and physical health measures that were relevant to social care and healthcare, linking service-specific accountability variants to the reports. The voluntary sector highlighted social care and healthcare in its mission, which made reports linking social care and healthcare very relevant to the voluntary sector.

The third manifestation of hybrid horizontal accountability modes consisted of accountability forums that included representatives from various services, professions, and sectors (see Figure 5.1). In VHO, a cross-sectoral accountability forum for all services was defined in the contract. The steering and clinical groups addressed VHO’s performance every month and included representatives of various services, professions, and sectors. As stated in meeting minutes, ‘the development work of the responsible care organization is guided and monitored as part of the work of the clinical group and the steering group, in which different

[public, private, and voluntary sector] actors are represented'. These representatives ensure that different sector- and service-specific accountability modes were present in both groups' discussions. In the clinical and steering groups, public managers monitored public, private, and voluntary sector service units and different services offered in VHO (see Figure 5.3). Moreover, private and voluntary sector managers monitored the services and service units of the other two sectors, not only their own production units and services. One interview described cross-sectoral monitoring of different services as follows:

With data analytics, it is modeled that the treatment [in VHO] should go like this. However, if it [the treatment] doesn't work as it should, it comes up constantly and systematically in [a clinical] group [that goes through the performance reports revealing performance dysfunctions in VHO]. Then heads start turning, and we start to look at the problem and discuss what should be done differently [in VHO's treatment procedures].

To enhance the relevance of the steering and clinical groups to all group members, the organizers of VHO had to consider what type of monitoring was relevant to different sector- and service-specific interests and their relevant accountability mode variants. This consideration revolved around the question of the correct data for the steering and clinical groups. Effort was required to determine the appropriate data, which influenced the time needed to establish VHO. Overall, the clinical and steering groups were merging different sector- and service-specific accountability modes. Participants had to contend with these accountability modes, at least to some extent. Different accountability modes and their variants were linked in the steering and clinical groups because 'partners win or lose together' in VHO and consequences of overspending or underspending are divided between partners. From overspending and underspending, the contract states that 'the distribution ratio of the exceeded target costs or saved costs is 50% [between VHO's partners]'.

The fourth manifestation of hybrid horizontal accountability modes was embedded in an incentive scheme in VHO. Rewards and sanctions for VHO partners were explained in the contracts, which clarified the risks and benefits associated with the network to each partner. In the incentive scheme of VHO, examples of market accountability emphasized profits, as the following quotation shows: 'Profits can be increased by underspending' (alliance contract from VHO). Profit-making is also suitable for the private sector's judicial, professional, and administrative accountability modes. Regardless of the provided service, the law states that the purpose of limited liability companies is to 'generate profits for shareholders'. As professionals, chief executive officers are socialized to profit-maximizing across the service industry, and business administration supports core service production activities that target profit-making. Because profit-making not only requires financial savings but also specific patient outcomes, the social accountability mode of the private sector was taken into account in the incentive scheme. The incentive scheme in VHO ensured that profit-making did not occur at the expense of patient outcomes and societal well-being.

Quasi-market accountability was evident from statements describing the origins of performance goals that were used to determine what types of performance deserves bonuses or sanctions. As stated in the alliance contract, 'in VHO, the design of the services starts with a check-up that ensures the purchaser's [i.e., the municipality's] visions and objectives are aligned with the services of the VHO'. Patient outcome goals, which partially determine sanctions and bonuses, were aligned with the public sector's judicial, administrative, political, and social accountability modes (see, for example, Tables 5.1 and 5.2). Fundraising logic based on

voluntarism and civic activities was also considered in the incentives of VHO. The voluntary sector organization was a partner, not a service provider, in VHO because the ‘formulated incentives and sanctions [related to profit-making] of [commercially motivated] partners could distort the logic of voluntary sector’. Thus, the voluntary sector was not included in the formal rewards and sanctions system designed for VHO. However, according to documentation, the voluntary sector could receive other rewards. As the voluntary sector was part of VHO’s planning processes, it contributed to decisions related to incentives for the voluntary sector and other sectors. In this way, the different interests and relevant accountability modes of the voluntary sector were considered in the context of VHO’s incentive system.

The fifth manifestation of hybrid horizontal accountability modes was present in descriptions of the roles and responsibilities of partners that organized different services for heart patients. Different sector- and service-specific accountabilities influenced the operations of VHO. Some of these accountabilities were present in contracts, whereas others were mentioned in presentations or interviews. For example, the alliance contract that established VHO revealed that existing legislation and judicial responsibilities that bind the public, private, and voluntary sectors were identified as a substantial part of VHO’s duties. The contract states, ‘This Agreement shall not affect the rights, obligations and responsibilities of the parties laid down by law, the authorities’ regulations and instructions or decision of the authorities or courts.’ Thus, the alliance contract recognizes the multiple judicial accountabilities included in VHO through the cross-sectoral partnership. The above quotation shows that both sectoral and service-specific legal frameworks are acknowledged and respected in the operative responsibilities of VHO.

The administrative accountability systems of the public, private, and third sectors were also included in alliance contract texts that described the duties of the alliance, and VHO had to pay attention to these accountabilities in its operations. The use of the municipality’s administrative accountability system was acknowledged in the following manner: ‘The service provider [i.e., municipality] makes all decisions regarding issuing official instructions related to the activities of the organizer and/or the purchaser.’ The business administration and its accountability system required economic value creation from VHO. For companies, economic value creation traditionally signifies profits. The demand for economic value creation was accepted and stated in the documentation that guides VHO operations, which states that

the service providers taking part have the possibility to earn profits ... The operating model creates economic value for the partners. In the operating model of VHO, partners can have bonuses and rewards based on the shared value principle ... The operating model combines customer value, cost efficiency, and flexibility ... The principle of shared value is based on creating economic value by producing value to societies.

The voluntary sector’s administration model influenced the voluntary sector organization’s responsibilities in VHO’s service production. According to the interviews, the ‘administration model for the voluntary organization ... helped us [the voluntary sector] to simulate what we do and do not do ... we have clear roles in the services [of VHO]’.

VHO endorsed the three sectors’ social accountability systems in its operations. Value-for-money thinking, which was adopted from the public administration of the municipality, and CSR ideas from the business administration of Mehiläinen received special attention in the agreed contract. The alliance documents emphasized the importance of public value creation in the alliance by stating that ‘the alliance leadership philosophy is based on value for

money thinking.’ The leadership philosophy was applied in operational management. Within VHO, Mehiläinen identified customer satisfaction and service quality as a crucial performance area of its CSR program. The purpose of the voluntary organization’s activities was to enable an environment that promotes heart health and in which people actively make the best decisions for their health while receiving the treatment that they need in a timely and equitable manner, regardless of their gender, place of residence, social status, or ethnic background. At the operational level, VHO measures ‘access to treatment’, ‘quality of life among patients’, and ‘readmission’, which means that the purpose of the voluntary organization was acknowledged at least to some extent in operations and incorporated in VHO’s accountability system.

In summary, the five manifestations of hybrid accountability modes in VHO illustrate how horizontal accountability was hybridized in VHO. To link up accountabilities of the public, private, and voluntary sector, VHO generated shared responsibilities for the network’s results by setting joint goals and measures, establishing a joint reporting system, creating forums to monitor the performance of cross-sectoral actors, adopting shared incentive systems, and acknowledging different accountabilities affecting the operational level. Simultaneously, different service-specific accountabilities of the public, private, and voluntary sectors were mixed with VHO’s accountability processes due to the shared responsibilities approach seen in VHO.

CONCLUSIONS

This chapter illustrates how hybridity in different accountability modes arises in network governance. It also addresses how hybrid accountability modes are constructed to support the realization of joint interests. We observed that goal setting and measurement system design in VHO introduced performance criteria for hybrid accountability and clarified shared responsibilities related to the achievement of the network’s goals. Measurement of the network partners’ joint performance resulted in reports that served the interests of public, private, and voluntary sector stakeholders. VHO’s meetings, which included representatives from different sectors and services, ensured that matters were considered from the perspective of relevant sector- and service-specific accountabilities. Incentive systems based on shared risks and benefits linked accountabilities related to profit-making, public value creation, and community welfare. Together, these observations increase the current understanding of the analysis or creation of hybrid horizontal accountability in network governance.

As theoretical concepts, accountability mode variants and hybrid accountability modes generate a lexicon for scholars who attempt to describe and discuss the hybrid nature of horizontal accountability in network governance (e.g., Grossi and Thomasson, 2015; Vakkuri et al., 2021a; Willems and Van Dooren, 2011). This lexicon supports past conceptual efforts to define hybrid horizontal accountability (e.g., Benish and Mattei, 2020; Forrer et al., 2010).

Because the literature has addressed the topic of hybrid accountability in network governance to a limited extent (Benish and Mattei, 2020), the concepts offered in this chapter extend hybrid horizontal accountability theory (e.g., Forrer et al., 2010) to new dimensions to enable new theoretical discussions on the topic. In essence, these concepts highlight different levels of analysis that can be adopted to study the hybridity of horizontal accountability. They form a theoretical model that proposes two analytical levels of hybridity in horizontal accountability modes; more complex hybridity occurs between hybrid accountability modes, whereas simpler hybridity focuses on combinations of accountability mode variants in specific accountability

modes, such as social accountability or market accountability. We demonstrated how a single goal could be relevant for multiple hybrid accountability modes. This indicates that seemingly simple goal-setting solutions that advocate for customer satisfaction can benefit various stakeholders who assess performance in networks. Goal achievement in simple goals can, therefore, have extensive effects on perceived performance.

Despite our efforts, the model of hybrid accountability modes still needs to be completed, as we covered only a few aspects related to hybridity in accountability modes. For example, the richness of relationships between different hybrid accountability modes still needs to be addressed. Future studies could examine, for instance, when hybrid professional accountability is combined with hybrid social accountability and when such a combination is not possible in network accountability processes (Chapter 11 in this volume). These relationships can be further explored, as past studies have rarely addressed the topic (e.g., Vakkuri, Johanson and Rajala, 2021b). This limitation of the chapter leaves a research gap for future studies to fill. Future studies can also examine the implications of these relationships from the perspective of performance management (Kokko and Laihonon, 2022) or professionalism (Noordegraaf, 2015), to name a few avenues for researchers.

Hybridity in accountability modes is a different approach to hybrid accountability roles such as principal–agent hybrid actors proposed by Rajala and Kokko (2022). Hybrid accountability modes concern how various accountability modes and accountability mode variants are compiled. By contrast, hybrid accountability roles focus on the analysis of joining together the accountability roles of an agent and principal. Although hybrid accountability modes related to principal–agent hybrid actors in our case, these phenomena do not necessarily co-occur. When public, private, and voluntary sectors establish joint goals as principals, hybrid accountability modes and principal–agent settings can simultaneously co-exist if the service production is done by a public, private, or voluntary sector actor who did not take part in the goal setting. In the future, researchers could further our understanding of the relationships between principal–agent models, principal–agent hybrid actors, and hybrid accountability modes.

For accountability scholars such as Mulgan (2003) and Bovens (2007), the hybrid accountability modes that we studied introduce theoretical controversies because they draw inspiration from various theories to create idiosyncratic accountability. For example, public, private, and voluntary sectors decided the goal of customer satisfaction. The same public, private, and voluntary sector actors also produced services that affected customer satisfaction in the examined case. In this way, public, private, and voluntary sector organizations become what Rajala and Kokko (2022) call principal–agent hybrid actors. Theoretical controversies arise because principal–agent actors are not in line with some of the textbook definitions of accountability, which clearly separate account holders from account givers as entities (e.g., Mulgan, 2003).

In addition, accountability in VHO was not purely based on personal conscience nor transparency and the open book principle, which might provide Bovens (2007) with some food for thought. The operative logic of hybrid accountability modes is based on the complementary benefits of different theoretical elements taken from distinct theories. The traditional public accountability process was attached to hybrid accountability modes that turned actors into principal–agent hybrid actors who pursued transparency by publicly announcing goals, measures, and performance result reports. Nevertheless, bonuses and sanctions were based on calculations that were not published, and the formulas for the calculations were moderately complex, which required an advanced understanding of performance measurement techniques from citizens and other stakeholders. While principal–agent actors in VHO could make auton-

omous decisions, they were monitored and influenced by several external stakeholders, such as the municipality (e.g., politicians and public administrators), citizens, shareholders, members of voluntary organizations, and service users. Understanding the relationships between these peculiar combinations of theoretical elements in VHO will require from future studies novel theoretical contributions in the field of accountability.

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APPENDIX 5.1

Administrative accountability

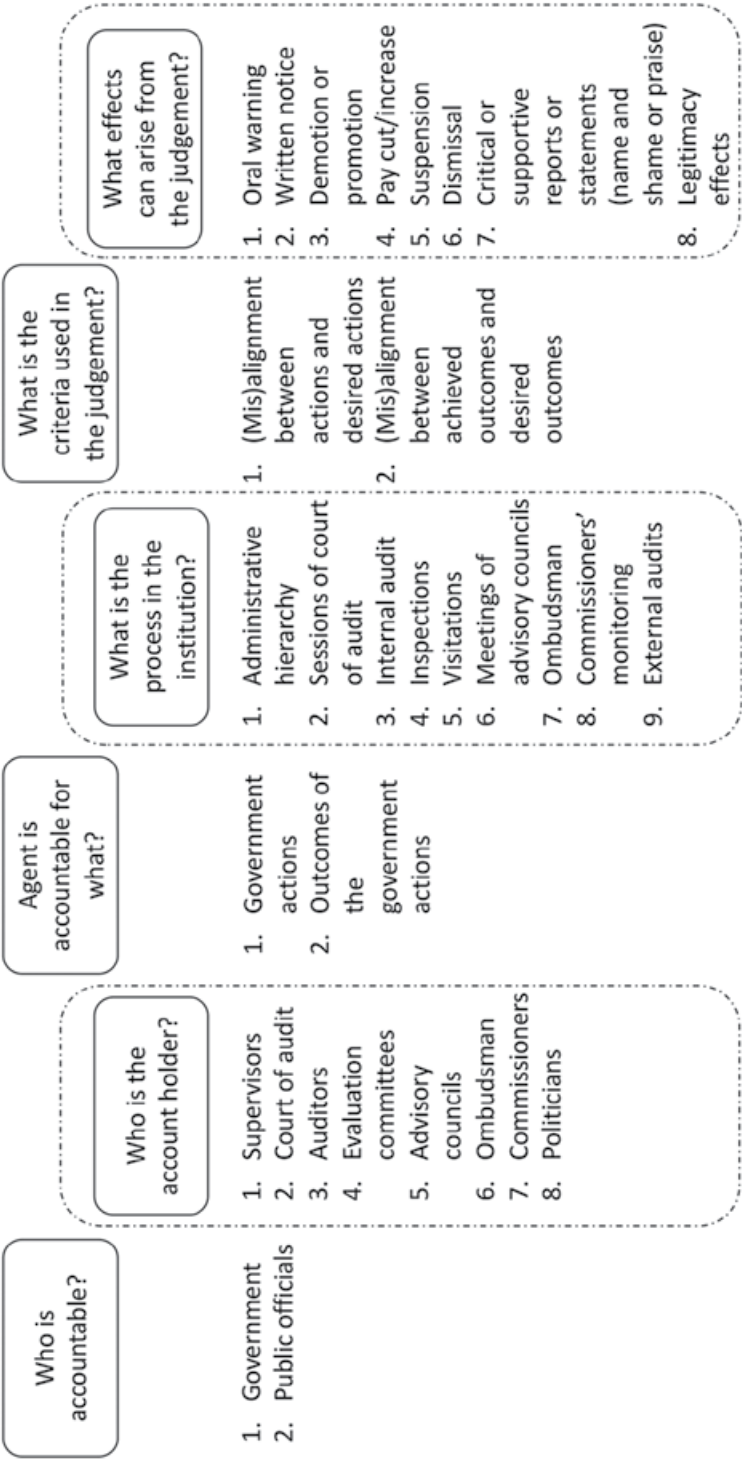


Figure 5.4 Examples of administrative accountability in the public sector

Judicial accountability

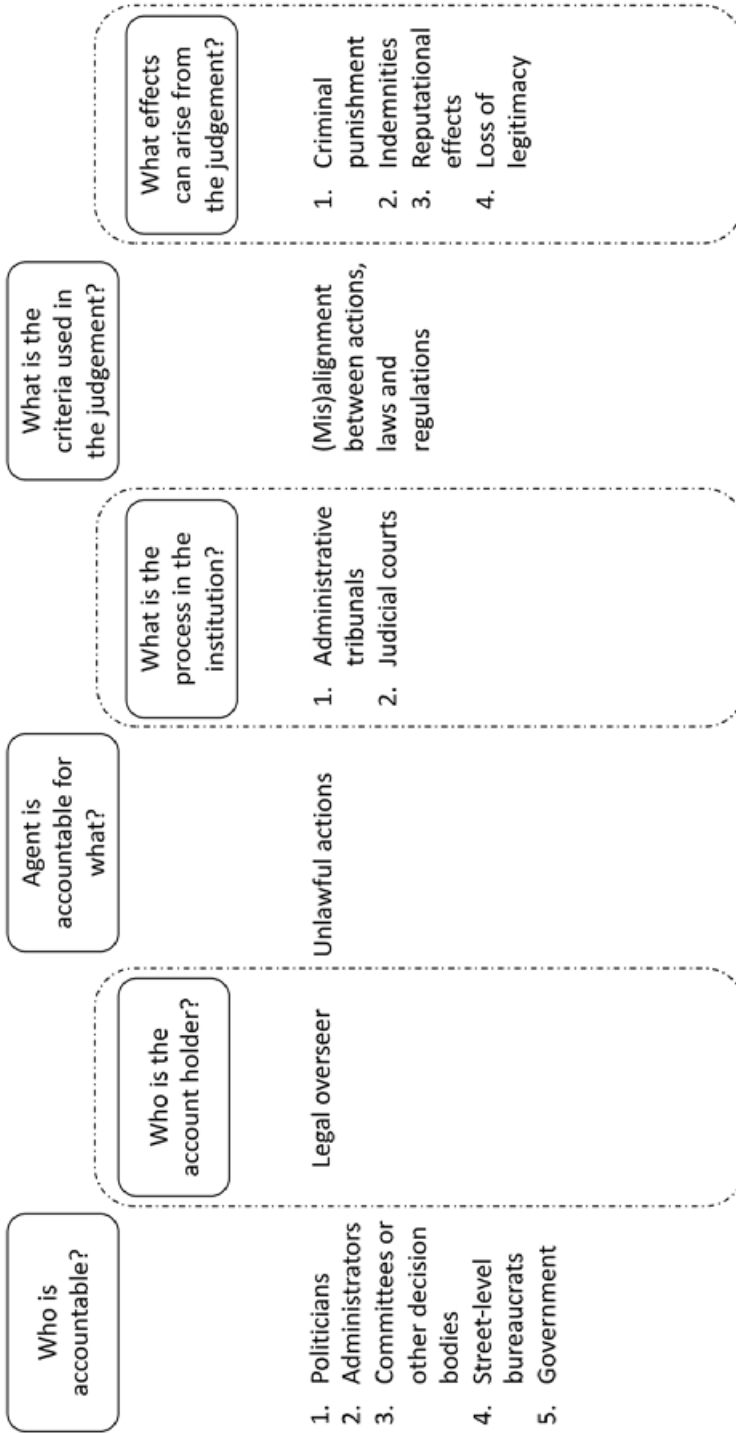


Figure 5.5 Examples of judicial accountability in the public sector

Market accountability

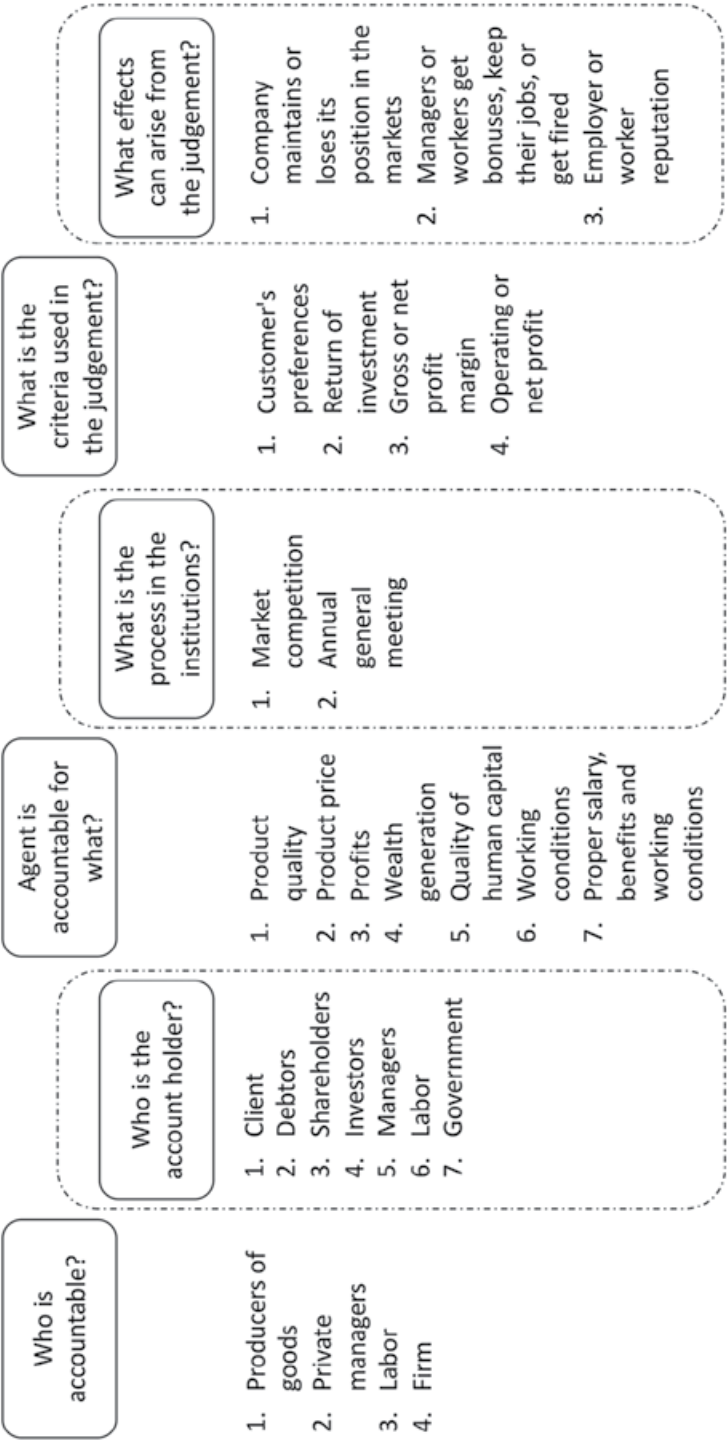


Figure 5.6 Examples of market accountability

Political accountability

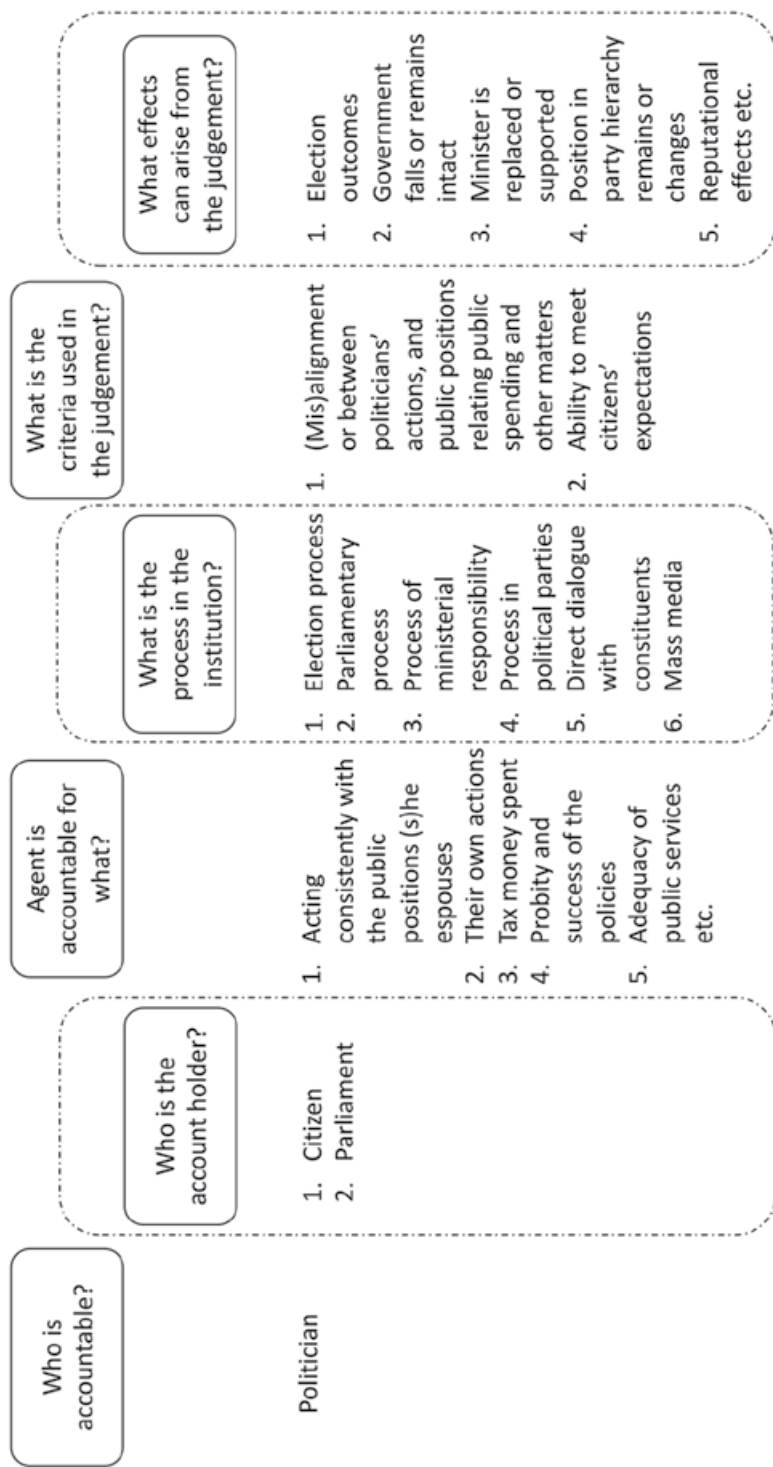


Figure 5.7 Examples of political accountability in the public sector

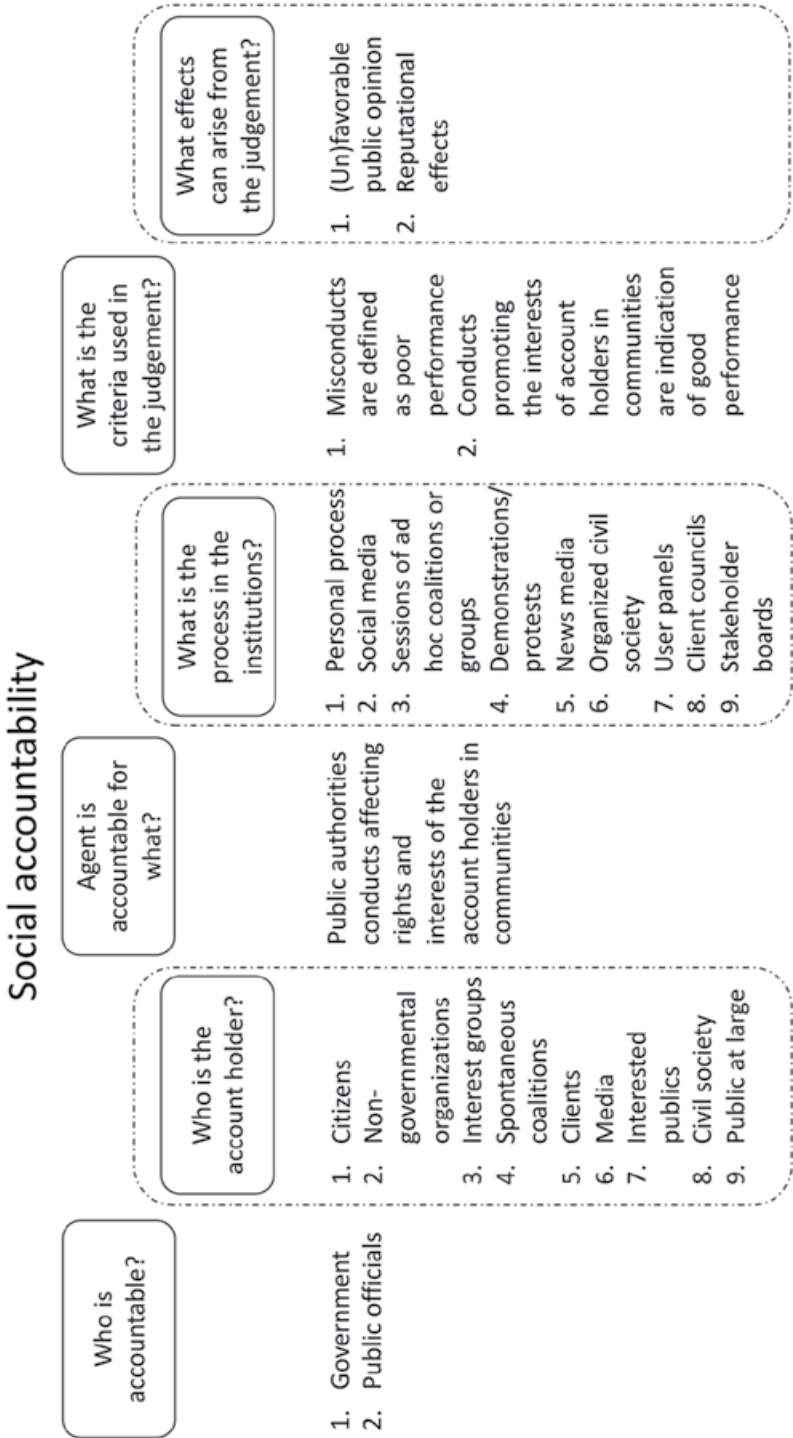


Figure 5.8 Examples of social accountability in the public sector

Professional accountability

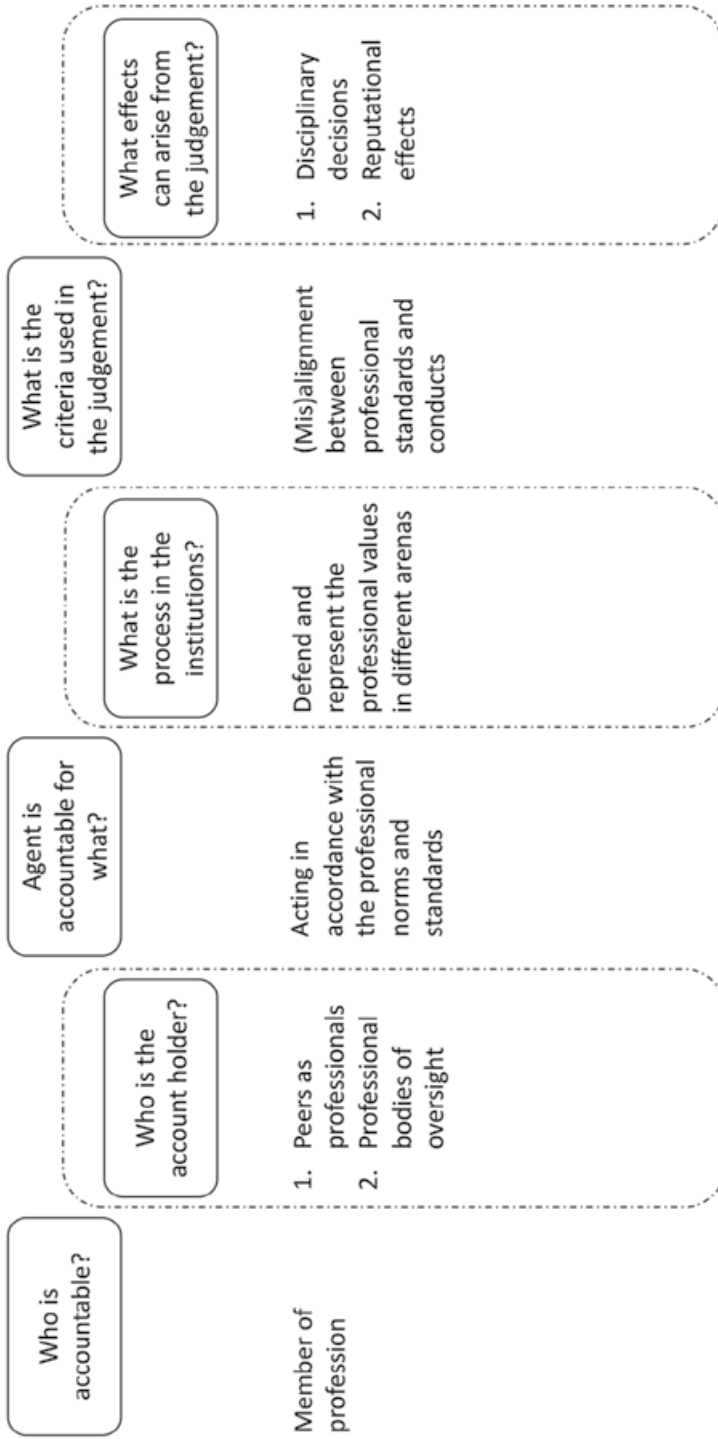


Figure 5.9 Examples of professional accountability in the public, private, or voluntary sectors

APPENDIX 5.7

Interview Questions

- Have the responsibilities been defined? Who defined them, and how?
- For example, what is VHO responsible for?
- Do the actors know what their responsibilities are? How do you ensure that the responsibilities have been clearly defined at the network level?
- Does the feedback system take into account the perspectives of different public, private and third sector actors?
- Does information of the feedback system serve the operational level?
- How and why did you choose the measures that you chose?
- Do these measures explain the success of the network?
- Are you able to show shared value? How do you show it?
- Does the chosen measurement enable suboptimization?
- How is progress toward goal achievement monitored?

6. Addressing accountability challenges with theory of change: the case of a social partnership in Ukraine

Veronika Vakulenko, Olga Iermolenko and Anatoli Bourmistrov

INTRODUCTION

New Public Governance (NPG) is a paradigm that raised the question of how to enhance the results of, and accountability for, public service delivery (Torfing and Triantafyllou, 2013). With its focus on improved collaboration between actors and organizations on different levels and within different spheres (McMullin, 2021), NPG focuses on improving public governance from the perspective of the empowered participation and interaction of different actors, enabling the sharing of knowledge and resources among them in response to complex policy issues that require collective actions (Lecy, Mergel and Schmitz, 2014). In particular, the role of public service users (beneficiaries) in governance should be strengthened (Haque, 2000). Therefore, the evolving concept of social accountability became a widely used tool in the public sector for its elevation of citizens' power, allowing civil society to monitor and voice the results of implemented policies and initiatives (Fox, 2015).

With the rise of NPG and the gradual increase in the complexity of public service delivery and the engagement of multiple stakeholders, several accountability challenges to public governance emerged. Public sector organizations face increasing multiple accountability forms (e.g., related to legal accountability, efficiency, effectiveness, quality or democratic values) and the resulting challenges in terms of cost and time effectiveness for creating, compiling, analysing and disseminating diverse accounts (Lewis and Triantafyllou, 2012). Clearly, new and multiple forms of public accountabilities will define the fate and evolution of public sector management, including performance management, budgeting and accounting (Grossi and Argento, 2022). This means that we need to know more about how multiple forms of public accountabilities can be handled by public sector organizations, including the implications for performance management and accounting. For instance, facing diverse accountability challenges in different collaborative networks and partnerships, little is known about the practical tools which could contribute to better understanding of how different forms of accountability may work together and provide positive outcomes for collaboration between multiple partners in socially oriented projects with high levels of institutional complexity.

To contribute to this discussion, this chapter focuses on accountability challenges in a particular type of collaborative arrangement such as social partnerships (SPs). The aim is to analyse how different types of accountabilities could be aligned in the case of SPs. The empirical context for this chapter is framed around an international development project, funded by the Ministry of Foreign Affairs of Norway (MFA), which focuses on the professional retraining and social adaptation of military officers/veterans and their family members. The project,

which is probably one of the most durable endeavours ever funded by the Norwegian authorities, has been implemented in Ukraine by a countrywide SP network since 2003 (around 20 years). The project has been evaluated several times as a success by external consultants, with the recommendation to continue funding (DCAF/ISSAT, 2019; Nordic Consulting Group, 2011).

The argument we raise in this chapter is that this collaborative network is an SP with multiple and sometimes even conflicting accountabilities between the key actors. We demonstrate that those accountabilities have gradually changed over time, requiring actors to adapt to new demands. To understand how those different types of accountabilities were aligned in SPs, we mobilize the concept of theory of change (ToC) – defined as a conceptual framework, illuminating causal linkages between multi-levelled outcomes, which explains how and why particular project activities can bring about a desired change (Clark, 2019; Clark and Grimaldi, 2013). We demonstrate how this ToC-driven approach to running social initiatives can contribute to improved alignment between multiple accountabilities, especially for the evaluation of results, outcomes and impacts. In this sense, we also indirectly contribute to better understanding of how ToC can improve the evaluation and performance management of such SPs.

The chapter is structured as follows. First, we analyse accountability challenges in SPs and discuss the application of ToC as a practical tool for improving accountability in complex settings. Next, we provide details on the research method, data collection and analysis. This is followed by findings and a concluding discussion, specifying the chapter's contributions.

LITERATURE REVIEW

Accountability Challenges in SPs

For NPG, stakeholders' multiplicity is central for developing collaborative (Ansell and Gash, 2008) network governance (Freeman and Millar, 2017; Klijn and Skelcher, 2008) or partnerships (Hudson and Hardy, 2002; McMullin, 2021). Those forms define different 'patterns of social relations between mutually dependent actors around boundary-crossing public issues, and which are formed, maintained, and changed through interactions between the involved actors' (Van Meerkerk and Edelenbos, 2018, p. 504). These relationships between actors occur under various circumstances, in different locations, across legal, societal or functional boundaries, and are often distinguished by a multi-value character (Van Meerkerk and Edelenbos, 2018), resulting in higher-level complexity of interactions. To secure the efficiency of such collaboration, these networks need to agree on common strategies, which could bring together a coalition of interests from multiple sectors, sharing risks, resources and skills (Hutchinson and Campbell, 1998).

SPs are collaborative arrangements possessing several common characteristics (Waddock, 1991; Wilson, Bunn and Savage, 2010). First, actors in SPs define their socially relevant objectives to deal with 'meta-problems' that cannot be solved by a solo actor. Second, SPs involve the collective action of organizations represented by multiple sectors with a wide range of relationships. Although each actor can have more immediate goals for their beneficiaries, sharing power and responsibility among actors in an SP is still important for producing long-term impacts in a particular policy area. Third, close interaction and joint problem-solving should be enacted where the interests of actors overlap. This can create rather complex value chains

for service provision and delivery. Finally, SPs are very often based on the voluntary nature of partnerships, meaning that interaction between partners in the social arena focuses on both the achievement of some public good and the satisfaction of their own purposes.

Literature suggests that the main challenge for accountability in SPs relates to the means for achieving proper accountability congruence, depending on the nature of the social problem to be solved, the range of partners to be involved and the structure of interaction between the partners (Waddock, 1991; Yin and Jamali, 2021). SPs include numerous partners and stakeholders, forming complex collaborative value chains for service provision and delivery. Donors, governmental agencies, non-governmental organizations (NGOs), volunteers, beneficiaries, etc. are all interlinked in SPs. As different actors may require different types of accountabilities, a mix of accountability relationships in SPs can produce tensions between different accountability forms (Agyemang, O'Dwyer and Unerman, 2019; Rajala and Kokko, 2022), especially under the NPG paradigm (Almqvist et al., 2013). Following this discussion, we can distinguish two axes of accountability in SPs. The first dimension relates to the use of both 'formal' and 'informal' accountabilities. In the case of SPs, public accountability is very much about the moral and social obligations perceived by organizations. Therefore, accountability in SPs needs both formal and informal forms, reflecting their interpersonal dynamics (Romzek, 2014). Formal accountability is based on the use of performance standards and reporting relationships that comes from authority and hierarchy. But, in SPs, formal contracts are complemented with informal arrangements for joint production of social services. Thus, informal accountability rests on interpersonal interaction based upon shared goals and shared social norms, expectations and patterns of group behaviour. Such informal accountability can be executed through unofficial monitoring, giving actors the possibility to impose unofficial rewards or sanctions on each other. In SPs, informal may be more important than formal accountability because of the reciprocal relationships between partners in achieving joint missions or objectives that enable both negotiation and learning (Romzek, LeRoux and Blackmar, 2012). Other elements of informal accountability include informal expectations, shared norms, facilitative behaviours (like communication, information sharing), informal rewards (favours, opportunity for further cooperation, enhanced reputation) or sanctions (reduced reputation, lost opportunity, exclusion).

The second dimension for accountability in SPs is based on the notion of complex value chains and the role of different stakeholders in SPs. For instance, we can distinguish between vertical accountability, related to sources of funding, and horizontal accountability, highlighting the mutual responsibility of partners for joint service provision, regulation of roles, responsibilities, rights and risk sharing. SPs are expected to address the possibly conflicting expectations and concerns between partners. Kingston et al. (2020) provide a more nuanced classification of vertical and horizontal accountabilities: 'upward' (towards donors and governments), 'downward' (towards beneficiaries and service users), 'sideward' (towards other actors in the partnership) and 'inward' (towards the SP's mission and internal organization).

Discussions on accountability in SPs, highlighting a combination of different accountability relationships, showed that tensions can emerge between different accountability forms. For instance, formal can undermine informal accountability (Romzek, 2014) or vice versa. Similarly, there is a possible tension between vertical and horizontal accountabilities and a need to find a proper balance between them (Fimreite and Lægreid, 2009). Weaker upward accountability can benefit from being supplemented by stronger downward accountability to beneficiaries. However, stronger upward accountability can result in weakening downward

accountability. Similarly, there might be tension between accountability to donors and to beneficiaries, with a need to complement formal accountability with its informal forms (e.g., socializing), with a focus on accountability to beneficiaries (Cordery, Belal and Thomson, 2019). Sometimes, in complex networks of actors, there is a lack of any accountability at all, with the result that ‘no single partner feels fully accountable for the actions of the partnership owing to the split between responsibility and control’ (McQuaid, 2010, p. 135). Nevertheless, few studies discussed how these forms can be aligned without facing accountability challenges, which could question the existence of SPs. Thus, it is important to study how different accountability forms can be tuned and made congruent with each other.

In summary, the key challenge for SPs is linked to finding a strategic balance between different types of accountabilities for the maximal effectiveness of SPs (Romzek et al., 2012). In the next section, we elaborate on how different types of accountability challenges can be resolved for SPs.

Accountability Challenges Practically Addressed via ToC

With growing attention on the effects that organizational activities can have on society, the effort to account for organizational social impacts has been widely embraced (Owen et al., 2000). To be rigorous and ensure accountability to multiple stakeholders, social initiatives need to be assessed based on criteria that are linked to the purpose of organizational activities. The relevance of such assessment can be significantly enhanced if ToC is applied. ToC is a conceptual framework, represented as an illustration of causal linkages between multi-levelled outcomes, which explains how and why a particular activity can bring about a desired change (Clark, 2019; Clark and Grimaldi, 2013). By engaging stakeholders (i.e., members of a SP) in a discussion of the purpose of their activities, ToC enables the design of an initiative, by forming assumptions on how it is intended to work, and further allows ‘construct[ing] methods for data collection and analysis to track the unfolding of the assumptions, [...] show which of the assumptions underlying the programme break down, where they break down, and which of the several theories underlying the programme are best supported by the evidence’ (Weiss, 1995, p. 67). By building a hierarchy of goals, a systematic analysis of interrelated objectives is performed, which further enables the monitoring of an initiative’s effects and facilitates communication between actors in achieving outputs, outcomes and impacts (Nordic Consulting Group, 1999). To develop a ToC, it is first necessary to explore the context of the problem, to gain a background understanding of how a suggested initiative intends to solve it, and further to map the stakeholders engaged in the performance of an initiative. Next, the final impact is identified, to understand what the ultimate goal of the change is; then, backwards mapping is conducted to identify long-term outcomes, intermediate outcomes and outputs (Clark, 2019). Thereafter, activities to reach identified outcomes are listed and respectful indicators are formulated to allow the evaluation of whether and to what extent an initiative has achieved its intentions, thus ensuring the accountability for achieved results.

In the context of SPs, which face pressure to meet social accountability for achieving intended results, the need to develop more rigorous accountability systems becomes more pressing, as a wider range of stakeholders is now becoming more engaged in assessing the effectiveness of programmes, especially those that are socially oriented. Not only the multiplicity of different stakeholders – e.g., government, beneficiaries, funding bodies or social action groups – but also the nature of stakeholders’ interests matter when selecting an appro-

priate accountability form. To deal with the growing accountability complexity, it is important for SPs to creatively combine accountability forms. Several studies have indicated that impact assessment relies on establishing informal accountability mechanisms (Berthin, 2011) and can serve to ensure both formal and informal accountabilities. For example, organizing informal meetings, comments and feedback from peers enables trust and accountability to be improved, something which could not be achieved through formal sanctioning (Gurung et al., 2020). However, little is still known about how actors in SPs address multiple accountabilities and how the use of ToC may solve the associated accountability challenges in collaborative arrangements. We try to fill this gap by studying the case of social adaptation of veterans and their family members in Ukraine.

METHODOLOGY

The Case of a Social Adaptation Project in Ukraine

The social adaptation project, in which researchers have been and are currently involved, has been implemented in Ukraine, with the cooperation of Norwegian and Ukrainian actors, since 2003. This longitudinal project was fulfilled in two aggregated stages:

1. From 2003 until 2019, the key focus was on the retraining and social adaptation of military officers, war veterans (from 2014) and their family members in Ukraine. The main project activities were directed towards providing retraining and social adaptation, (re)designing and ensuring the functioning of the system for social adaptation of military officers, war veterans and their family members in Ukraine. The aim was to assist military officers and veterans leaving military service to reintegrate into Ukrainian civil society. This was done through: professional retraining for a civil occupation, psychological adaptation, and assistance in employment or self-employment.
2. From 2019 until February 2022,¹ the project focused on the integration of a previously developed social adaptation model into the Ukrainian state system, in addition to providing retraining and social adaptation services.

During the overall project period, our tasks as researchers were also devoted to designing and implementing a system for assessing the project's impact. We had to identify ways to involve beneficiaries in evaluating the efficiency of the social adaptation model, developed over time.

Method of Scientific Inquiry

Action research is an action-taking approach, which is dependent on practical change experiments, where both solving 'real-time' problems and contributing to the emergence of new knowledge about the sources of the problems occur (Jönsson and Lukka, 2005). In general, an action research approach presupposes that those who are involved in making experiments work closely and in cooperation with the practitioners to identify and solve problems. The social adaptation project between Nord University Business School (Norway) and Ukrainian stakeholders was essentially built by people in the project team, who were simultaneously researchers in the field of accounting and accountability and mediators between problems, solutions, understandings and contexts (Pettersen and Mellemvik, 2005). In this chapter, we

mostly present the conceptual architecture of our action research, but we also give some examples of how our research efforts have contributed to changes in the project.

In a way, the project selected as a case for this study is an experiment. Experimental learning requires much background knowledge and formal positions to be creative. By being formally responsible for the project, the project team does not qualify as a neutral observer that can decide to enter or leave the organizational settings whenever it wants. The project team had to be formally committed to the project and accountable for its results due to formal obligations, making it necessary to resolve all potential risks in a constructive way. Through analysis of the gathered information (in frames of the developed impact assessment system of the project), external audits, frequent institutional meetings, discussions during project conferences and workshops, as well as direct observations, the actions in the cooperative project were collectively constructed. It is based on a good understanding of the collaboration history, the current situation with its problems, and it achieved agreement based on current facts about the direction of future cooperative opportunities.

Data Sources: Individuals, Institutions and Organizations

The knowledge of social accountability in the case of Ukraine has been tightly connected to the project and its participants – stakeholders engaged in social adaptation activities. At the same time, during the overall project period, these stakeholders served as data sources, allowing accountability challenges and how they were addressed in an SP to be explored. Figure 6.1 visualizes the grouping of stakeholders, based on Wilson et al. (2010).

Primary stakeholders are the core of the partnership, without whom SPs could not function (Wilson et al., 2010). We attribute to this group the following actors. At the centre of the SP stands the International Foundation for Social Adaptation (IFSA) – a Ukrainian charitable organization that performs coordination and control functions for the overall SP, in provision of the professional, social and psychological adaptation of beneficiaries, and works closely with Nord University (NU), which is responsible for monitoring and is engaged in teaching and scientific follow-up; the network of Ukrainian universities that performs professional retraining; and local NGOs, which provide social and psychological assistance to beneficiaries. Beneficiaries, who were engaged in research via interviews, surveys and observations, include: military officers, veterans, and family members of military officers, veterans and fallen combatants in the war in Eastern Ukraine.²

The group of secondary stakeholders, who are interested in cooperation but are not critical for performing the main social adaptation activities, gather actors engaged in the initiative to fulfil their goals (Wilson et al., 2010). We organized meetings and regular conversations with all these stakeholders. In this case, MFA acts as a donor, providing funds to run activities. Ukrainian central authorities include all the ministries and their regional representatives that work on developing policies affecting the social adaptation of beneficiaries. In this group, the key stakeholder is the Ministry of Veterans Affairs of Ukraine (MoV), but the roles of others – the Ministry of Defence of Ukraine (MoD), the Ministry of Social Policy of Ukraine (MoSP), the Ministry of Healthcare of Ukraine (MoH), and the Ministry of Education of Ukraine (MoE) – are also important for holistically addressing the problem of social adaptation. Communicating with them helped to form an understanding of their vision of accountability in the adaptation process. In addition to state actors, several Ukrainian international and local agencies, donors and NGOs were working on diverging aspects of social adaptation of veter-

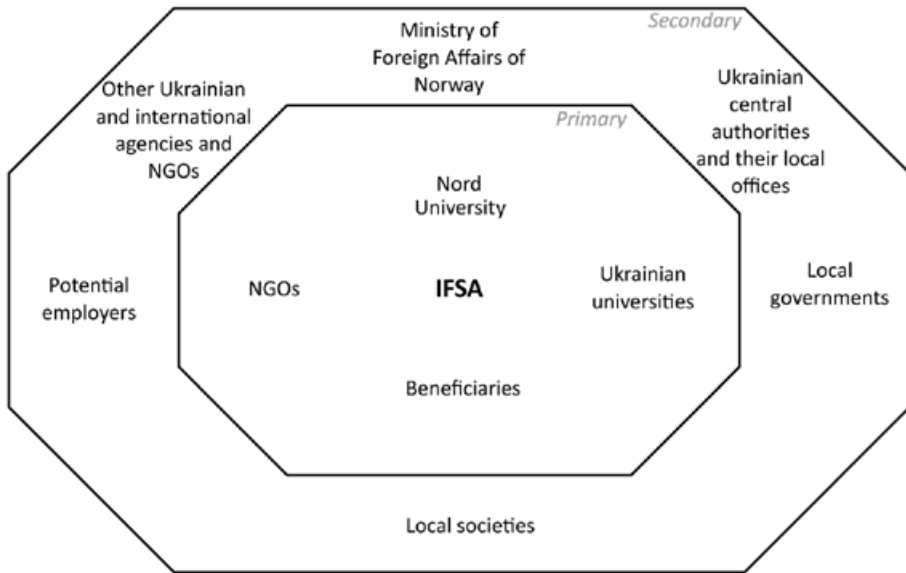


Figure 6.1 Stakeholders engaged in social adaptation in Ukraine

ans. Local governments' contribution is necessary to ensure the local financial and administrative support of beneficiaries during their integration, while potential employers from public or private sectors get well-trained and motivated employees and thus contribute to beneficiaries' integration into Ukrainian civil society. Local societies are those local communities where beneficiaries live and which they strive to be a part of after completing the social adaptation programme.

Relations between identified stakeholders are organized in a multi-level manner, thus creating an SP as a form of collaborative governance during the social adaptation of beneficiaries.

EMPIRICS

Social Adaptation in Ukraine: The Background and the Government's Attempt to Establish Vertical Accountability

The professional and social adaptation of veterans in Ukraine was shaped by economic, political and institutional factors. After the collapse of the Union of Soviet Socialist Republics (USSR), Ukraine inherited approximately 40 per cent of the Soviet Army's manpower and an extensive technical military resource base (Bugriy and Maksak, 2016). At the beginning of the 1990s, the Ukrainian government initiated a restructuring of the sector, focusing on reducing the number of military personnel, which gradually led to a substantial economic and social burden.

For many veterans, transition to civilian life is a challenge for several reasons: economic factors, associated with a loss of source of income (i.e., salary); psychological issues, such as depression or other disorders, which may lead to suicide, violence, alcoholism or drug abuse;

and physical injuries or the loss of professional competences, which complicate the ability to obtain employment in the civilian sector.

At the same time, the annexation of Crimea and the war in Eastern Ukraine from 2014 have not only raised the demand for qualified military manpower and significant financial and technical resources to defend the country, there has also been an increase in civil engagement into the military sector requiring accountability from the state.

To address these multiple challenges, in 2018 the Ukrainian government founded MoV to frame conditions for veterans and their family members to be socially protected and integrated into Ukrainian society. MoV's attempt to address the problem of social adaptation materialized in so-called 'veterans' spaces', based on horizontal accountability relationships. These units are locally based under the supervision of MoV and perform psychological and educational training, to increase beneficiaries' competitiveness in the labour market and their employability, thus ensuring the social adaptation of beneficiaries (Vakulenko et al., 2021).

While *de jure* 'veterans' spaces' provide psychological and employment assistance, the implementation of these activities is constrained by the overlap of these functions with other governmental units. For instance, the main institution responsible for providing social benefits to and employment of beneficiaries belongs to MoSP. Many beneficiaries require civil education, which then falls under the responsibility of MoE. Such institutional discretion provides significant challenges, on one side for beneficiaries to obtain professional and social adaptation services in a timely and efficient way, but, on the other, the hierarchical accountability of several state units puts state authorities in a blind spot, disabling their ability to observe similarities in services provided to beneficiaries. Further, MoV's provision of social adaptation services is based on the top-down formation of beneficiaries' needs through state programmes and the budget, which are then redistributed further to regional representatives. Therefore, the lack of coordination between state institutions and the dominating hierarchical accountability of separate state units to the top-level ministries hinders MoV from being socially accountable for beneficiaries' adaptation and from understanding whether and to what extent social adaptation services achieve the desired effects and satisfy expectations of beneficiaries.

Emergence of the Social Adaptation SP and the Role of ToC in Framing the SP

Responding to the inability of the Ukrainian state system to fully address the needs of beneficiaries in social adaptation, IFSA and NU have been cooperating since 2003, gradually forming an SP, which functions over the whole country. At the beginning, a formal ToC was not clearly articulated by primary stakeholders, nor was it initially required by the donors (the Norwegian ministries of Foreign Affairs and Defence). Rather, it has been internally formulated in an informal way, to frame the vision of the activities carried out by the SP members. However, in the later stages of the project (around 2008) and when activities had substantially enlarged in volume, a ToC was formally requested by the donor (MFA) to visualize the outcomes' pathways, in order to improve the project's impact assessment. It was necessary to make the project accountable to the donor – whether the performed activities enabled the achievement of the planned results and outcomes and the materialization of the expected societal impacts. Initially, the need to formally articulate a ToC was questioned by SP members because it was seen as unnecessary paperwork. However, due to the need to comply with the donor's requirements, the ToC was formulated and, after a while, accepted as a systematic way

to coordinate project activities, allowing temporarily occurring tensions within the SP to be solved and multiple accountabilities to be united.

The approach used by the SP to design project activities to ensure efficient and effective social adaptation service provision was built on the ToC (see Figure 6.2). The mutually constructed ToC by members of the SP describes the current problem – the undesired state – and suggests what should be done to achieve the desirable state in the future. Using such resources for input as service providers (Ukrainian universities and NGOs), financial resources and established methodologies, beneficiaries receive appropriate knowledge, skills and competences, and improve their psychosocial condition.

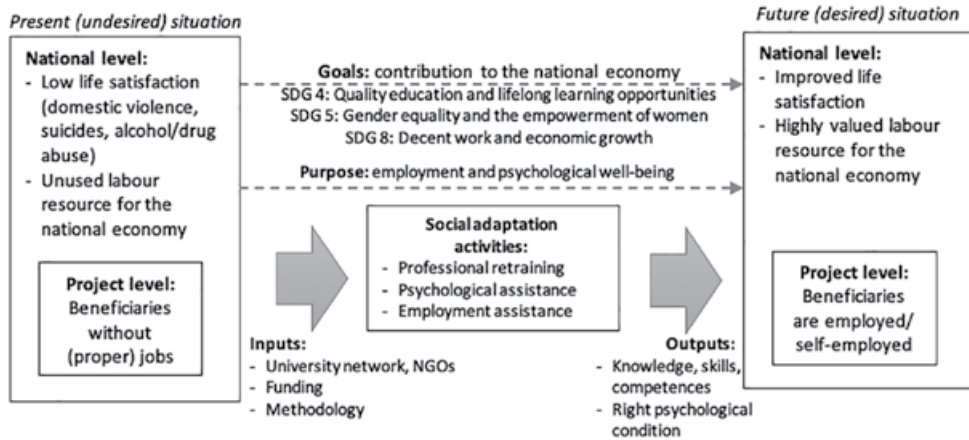


Figure 6.2 ToC of social adaptation by the SP

Special attention is given to the ToC's activities box, since it also allows the accountability form applied in the SP to be studied. Social adaptation performed by the SP forms the value chain of key activities, which comprise the following four stages (Vakulenko et al., 2021): (1) informing, (2) selection, (3) retraining and social adaptation, and (4) completion and follow-up, which are collaboratively performed by SP members (see Appendix 6.1). IFSA is active during all four stages, since it coordinates the partnership, administrates the process of the professional and social adaptation of beneficiaries, and monitors of the quality of services through internal control procedures, feedback from beneficiaries and interactions with secondary stakeholders.

In the informing stage, NGOs and universities via multiple channels announce the planned social adaptation programme to local societies and potentially interested beneficiaries. Selection is performed through the close cooperation of the SP's primary stakeholders. During this stage, the selection of geographical regions, where social adaptation programmes will be performed; specializations for professional retraining; and beneficiaries are organized. Selections within all these areas are made, based on both the interests of potential beneficiaries and trends in local labour markets. NGOs are responsible for one of the most important processes in this stage – sorting beneficiaries based on their needs. Due to the heterogeneity of beneficiaries, experts from NGOs study the kind of services or consultations beneficiaries

would like to obtain and whether they possess enough motivation to complete the whole social adaptation programme.

The retraining and social adaptation stage consists of the following key processes: professional retraining of beneficiaries, based on the pre-selected specialization performed by Ukrainian universities; psychological and employment assistance, carried out by NGOs and conditioned by regional peculiarities where groups of beneficiaries are formed (Vakulenko et al., 2021).

The final completion and follow-up stage seeks to ensure that, after exiting the programme, beneficiaries actually integrate into civilian society. This includes follow-up activities – e.g., assistance in employment and business establishment – mostly performed by NGOs. The SP also monitors the results of their activities, by collecting feedback from the beneficiaries about the whole process of social adaptation.

Tuning Multiple Accountabilities in the Case of the Social Adaptation Project

During the whole process, SP members collaborate to achieve the ultimate goal of professional and social adaptation – i.e., the integration of beneficiaries into civilian society. In this way, core actors in the SP form horizontal accountability, as each member carries a high level of responsibility for individual performance and maintains interaction within the partnership, to support constant feedback on provided activities (Ray and Elder, 2007).

Agreed by SP members, the ToC (Figure 6.2) serves as an overarching conceptualization of how to reach the goal of the professional and social adaptation of veterans.

Formal and informal upward accountability

The project is guided by a clear contractual framework between NU and MFA and is explicitly based on the ToC. NU is responsible for elaborating on the ToC during the project application phase and after reporting on indicators that highlight the project's outputs, outcomes and long-term impact, gathered in a so-called 'results framework'. This framework is formally attached to the contract between NU and MFA and, further, guides contractual relationships with Ukrainian partners.

Formal upward accountability rests on a contractual hierarchy: MFA–NU agreements guide NU–IFSA agreements and, further, agreements between IFSA and Ukrainian universities and NGOs. There are two types of agreements between SP members: a long-term framework agreement and supplementary agreements for each academic semester. Every calendar year is divided into two semesters: spring (January–June) and autumn (July–December). Each semester, funds are transferred in two tranches: payment at the beginning of the semester (90 per cent) and at the end (10 per cent), after IFSA submits both narrative and financial reports to NU.

Formal accountability is realized by making all universities and NGOs elaborate on the financial and narrative reports on the targeted use of received funds and activities performed. Reports submitted to IFSA are consolidated, and final reporting documents are further submitted to NU for inspection. Every periodic financial report from IFSA is attested by an approved independent auditor, licensed by the Audit Chamber of Ukraine. Other formal reports from IFSA to NU include shortlists of project graduates for the preparation of graduation documents and an indication of co-funding obtained. Further, all those reports are consolidated by NU in its annual reporting to MFA. Those annual reports are subject to formal discussions at annual

meetings between NU and MFA. The transfer of funds from MFA is conditioned on positive meeting results and the formal approval of annual reports. Finally, two independent evaluations (DCAF/ISSAT, 2019; Nordic Consulting Group, 2011) by external bodies have contributed to formal accountability in the project, demonstrating that the project was extremely successful and should continue.

Informal upward accountability in the project helps to address the problem of formal semester-based and annual reporting, which constrains frequent communication and updating. Representatives from both IFSA and NU therefore have regular meetings with the representatives of the Norwegian Embassy in Kyiv and/or arrange the participation of the embassy's representatives in graduation ceremonies. These measures allow a continuous flow of accountability to be presented between representatives of the Norwegian authorities and the project. Representatives from NU also engage in frequent digital conversations with representatives of IFSA and MFA, to inform them about the changing situation or simply indicate that the project is under control.

Formal and informal downward accountability

Downward accountability towards the beneficiaries is enacted via several mechanisms: regular surveys/anonymous feedback forms, focus group interviews and other informal conversations with project beneficiaries. Without asking beneficiaries directly about how they are affected by the social adaptation activities, the SP cannot evaluate whether the suggested ToC is appropriate, in terms of addressing societal challenges, or needs to be adjusted/modified. Thus, asking beneficiaries directly about their opinions gives the opportunity to understand how the main beneficiaries evaluate the results of the project and what suggestions for improvements they have. Through the analysis and discussion of these data with other involved stakeholders in the SP, the project activities can be modified, to make them better fit the needs of the beneficiaries (choice of specialization, changes in curricula and teaching staff, etc.). Formal downward accountability mainly consists of the possibility to give project beneficiaries the opportunity to express their opinion about the social adaptation activities carried out by the SP via questionnaires or regular surveys. Project organizers agree on continuous monitoring with all beneficiaries before they enter professional retraining and the social adaptation programme. Right from the start, all project beneficiaries get full information about what information is to be collected, how often and how it is used. All survey information is collected anonymously and presented at the aggregated level. With all the entry information, project beneficiaries normally actively engage in surveys and leave their comments for improvements in the following format:

- Entry and exit surveys, conducted at the beginning and end of each study semester.
- Follow-up surveys, performed every six months (over the year after graduation) to monitor progress in job seeking, life satisfaction, etc.

Via these surveys, changes in the lives of beneficiaries completing the social adaptation programme are studied, as well as the role of the programme in those changes.³ The selection of variables is scientifically grounded in the previous research in the field and the project's research publications, such as R&D reports and articles. All indicators are connected to the ToC of the project and the results framework.

Focus group interviews are conducted with beneficiaries and project organizers (universities and NGOs) each study semester. There are no strictly defined topics for conversations, as

we are interested in hearing different personal opinions. Typical topics for conversations with beneficiaries cover aspects of their motivation to take part in the programme, intentions, evaluation of the programme, learning outcomes, future employment plans, etc. NGOs and universities often provide details on the selection of candidates, challenges faced in organizing social adaptation and retraining, evaluation of achieved results, areas for improvement, etc. In this way, it is possible to capture a more ‘qualitative’ and nuanced picture and personal opinions about the programme (which elements of the programme to add, delete and strengthen, and why). During such focus group interviews, up-to-date information on the most salient issues is obtained, as it was for example during the COVID-19 pandemic. This allowed learning on how universities and NGOs handled associated issues. Informal interaction between the project’s beneficiaries, teachers and other representatives from NU during lecturing, graduation ceremonies and other events in Ukraine, as well as further contact via, for example, social networks and e-mail, are other important elements of the downward accountability.

Formal and informal sideward accountability

Sideward accountability is enacted between SP members. It serves as a vital link between the SP members responsible for the provision of social adaptation services, as it helps to build trust and maintain interactions and feedback over the whole process of retraining and social adaptation. Formal sideward accountability is based on the signing of contracts between IFSA, NGOs and universities, and the exchanging of reports between partners. This ensures parties’ acknowledgement of their obligations and tasks in the projects and, thus, forms discipline in accounting for results achieved.

Informal sideward accountability is realized via several tools. The SP regularly organizes conferences and workshops, gathering as many stakeholders as possible. During these events, SP members mingle and disseminate their results by sharing experiences and exchanging ideas with multiple stakeholders regarding providing or obtaining social adaptation services. Beneficiaries share their success stories after completing the programme, and invited donors (representatives of MFA) have an opportunity to observe the achieved outcomes of social adaptation activities. Digital tools such as social media (mostly Facebook and Viber) allow interactive information exchange by project participants to share success stories.

Additionally, sideward accountability includes a system of informal rewards. For instance, a Ukrainian university and NGO, which were working in a remarkable way during the year, could receive the privilege of holding the annual symposium organized by the SP. This was especially valuable for building the reputation of SP members. Beneficiaries who performed best during the retraining and social adaptation programme are invited to participate in the local project competition, in which they could win a local government grant to establish their own enterprise. Another example of informal accountability was guest lectures provided by NU researchers. On one hand, these lectures allowed the monitoring of the attendance and quality of performed retraining activities and, on the other, ensured close interaction with beneficiaries, enabling feedback on the programme to be obtained.

Formal and informal inward accountability

The last form of accountability is inward accountability, which is directed by the SP to its own mission and management. The formal aspect of inward accountability is constructed through an internal control system, based on the Committee of Sponsoring Organizations (COSO) framework, applied by IFSA and NU to the SP context. The COSO framework fits the SP’s

work, since it presents an extensive overview of activities performed by each member, thus enabling the establishment of efficient and effective internal control (Moeller, 2014). An important aspect of implementing the internal control system for SP members is to ensure continuous monitoring, risk assessment and control, thus building a core of accountability within the SP. Another important document for ensuring formal inward accountability is the code of conduct, which lists the values and principles of behaviour of partners engaged in professional and social adaptation. All partners in the project must adhere to mutually agreed values (e.g., reputation, ethics, efficiency, freedom of information, zero tolerance to corruption); otherwise, they will be excluded from the SP.

When it comes to informal inward accountability, the members of the SP are engaged in informal meetings, where they internally provide information about their know-how in one or more processes of social adaptation, allowing mutual learning or the observation of deviations in project activities. Finally, in collaboration with NGOs and sometimes engaging local media, IFSA creates short movies about veterans and their family members, in this way attracting local societies' attention to the importance of the problem of the social adaptation of beneficiaries.

The findings of vertical/horizontal and formal/informal accountabilities are summarized in Table 6.1.

Table 6.1 Summary of different forms of accountabilities used in the project

Accountability	Formal	Informal
Upward	Formal financial reports to MFA Annual meetings Co-funding overview Independent external evaluations Audit by external Ukrainian auditors	Meetings with embassy representatives Phone calls and texts Informal briefings Commentaries and status updates
Downward	Survey of beneficiaries Fundraising for start-ups	Social partnership meetings Focus group interviews
Sideward	Formal contracts and reporting	Conferences and workshops Informal rewards and punishment Informal lectures by NU
Inward	Internal control based on COSO framework Code of conduct	Informal meetings Frequent phone calls Video interviews

The ToC and Its Role in Addressing Multiple Accountabilities

Over the years, accountabilities in the SP were challenged by changes in Ukrainian society and stakeholder needs, and had to be reflected via the ToC. In this sense, processing of the information collected related to different aspects of the ToC, tailor-made for the project, and analyses of the relevant publications in the field of professional and social adaptation, have made the changes in the project theoretically informed or justified, as a response to changing accountabilities. Some examples follow.

For instance, when the project started, only former military officers participated. The absolute majority of those participants were males. However, with time, MFA requested that, in addition to solving the problem of the social adaptation of military officers, the project should

also be accountable for improving the role of women in the society in transition, indicating that at least 30 per cent of the project participants should be female. Therefore, it was decided to involve female family members in the programme, despite the initial ToC not focusing on non-military personnel. Consequently, the SP members had to experiment regarding whether the existing ToC would handle the new challenge and what changes would be necessary in the core activities to accommodate the new group of beneficiaries. Follow-up research indicated that inclusion of the female family members creates an important positive spin-off during the social adaptation of officers because it softens the learning environment, reduces conflict and stimulates teamwork, thus contributing to better achievement of the overall goals. We could see that inclusion of family members increased the rate of established family businesses (Vinogradov, Kolvereid and Timoshenko, 2013) and improved programme completion rates (Åmo and Iermolenko, 2019). In this sense, formal vertical accountability has affected downward accountability by modifying the ToC. This would not have been possible without NGOs and universities recognizing their role in finding ways to accommodate new beneficiaries in the core processes.

Another good example is that, initially, the project was not designed for low-motivated veterans and those without higher education to complete the social adaptation programme. However, the war in the east of Ukraine, which started in 2014, increased the demand for retraining and social adaptation, specifically in the category of veterans without higher education. Veterans returning from the war were given state pensions and some privileges (e.g., land property, exemption from taxes) that reduced their motivation to find jobs. From the Ukrainian central government perspective, there was a need to motivate this part of the male population to take up social adaptation programmes because veterans were seen as valuable labour resources in the national economy. Local governments and NGOs in Ukraine were frightened that the increasing number of veterans returning home without proper social adaptation would contribute to an increase in suicides, violence, crime, and alcohol and drug abuse in their regions. Additional professional and psychological training had to be offered to this category of veterans especially, by modifying and strengthening the psychological assistance part in the ToC. These additional efforts led to higher self-employment rates in this category of project participants, compared to other groups of the project's beneficiaries (Iermolenko and Åmo, 2021, 2022). Changes in sideward accountability were therefore addressed by modification of the ToC and, in turn, affected downward accountability.

The third example is how the ToC can align vertical and inward accountabilities. Ukraine has been a country with a relatively high level of corruption, making it necessary to have an extensive system of controls and checks and balances. MFA put pressure on all the projects it funded to have sound anti-corruption practices. However, extensive control systems are also expensive (e.g., additional personnel, reporting costs, frequent audits) and often can be counterproductive because they reduce trust between partners. In the social adaptation project, the easiest way to comply with MFA's requirements was to strengthen inward accountability by appealing to a sense of mission, purpose and responsibility articulated in the ToC. This goes for formal inward accountability (e.g., reading and accepting the code of conduct), as well as informal inward accountability (e.g., a promise of immediate exclusion from the project in the case of suspected corruption). Accepting the code of conduct as a part of the ToC was important, due to aligning the understanding of all actors about their different roles in the bigger picture, as well as their mandates; e.g., what they can and cannot do. A promise of immediate exclusion from the project in the case of discovered corruption was quite an important threat

because it would definitely destroy the future career of an individual in the case, given the countrywide reputation and high standing of the SP in Ukraine.

Finally, navigating multiple accountabilities with the help of the ToC would have been difficult or even impossible without the ToC mobilizing appropriate data collection and information gathering that supported all its elements. For example, the first surveys by NU were conducted in 2010–2011, modified in 2017–2018 and resulted in a more comprehensive surveying system (entry–exit–follow-up surveys) in 2020–2022. This relates to the project’s biggest challenge – how to measure the ultimate impact on beneficiaries of social adaptation to civilian life. The ToC states that beneficiaries should improve their life satisfaction and well-being by becoming employed or self-employed. However, it was not easy to find good measures and questions in a questionnaire. Based on previous experience with the project’s data collection, focus group interviews and written feedback from the project’s beneficiaries, we were able to find the most appropriate formulations and questions, to be able to monitor changes in the project graduates’ living conditions, life satisfaction and well-being before and after the retraining programme, their employment plans, etc. Continued monitoring of the project results helped us to exclude specializations with the lowest odds for employment or self-employment (Kolvereid and Iermolenko, 2020) from the project’s specializations portfolio. The way the questionnaires were collected has also evolved over the years. Initially, surveying was viewed by project participants as a rather unnecessary formality. However, seeing the benefits of the data collection and analysis (e.g., modification of the study programmes, comparing results between regions and between different groups of participants) resulted in surveying becoming an integrated part of the project. As the level of trust has increased between SP partners with time, the physical data collection in Ukraine, performed by NU representatives, was replaced electronically, including online questionnaires and focus group interviews on Zoom. This experience became especially useful during the COVID-19 pandemic, with all the travel restrictions, when the physical data collection became impossible.

CONCLUDING DISCUSSION

In this chapter, we examined how different types of accountabilities can be aligned in the case of SPs. We particularly wanted to focus our discussion on how two different dimensions of accountabilities (formal/informal and vertical/horizontal) can be tuned and made congruent with each other. The challenge for SPs is how to achieve a strategic balance between different types of accountabilities for maximal effectiveness (Romzek et al., 2012). In this section, we elaborate on how the development of the ToC can address accountability challenges in SPs (Figure 6.3).

Our major point is that, by creating a ToC, SP members use it as a conceptual framework of their activities and as a tool to make multiple accountabilities congruent, thus contributing to the effective functioning of an SP. Previous literature argues that meaningful use of a ToC can indeed improve the evaluation of results and impacts achieved by a wide range of social initiatives, especially related to whether and why a particular set of interventions works or does not work (White, 2009) and why and how a particular set of outcomes has occurred (Stame, 2004). A theory-driven approach to the evaluation of social initiatives can contribute to improved results-based accountability because it can guide stakeholders involved in designing successful joint efforts due to shared visions and intervention strategies (Aronson, Mutchier and Pan,

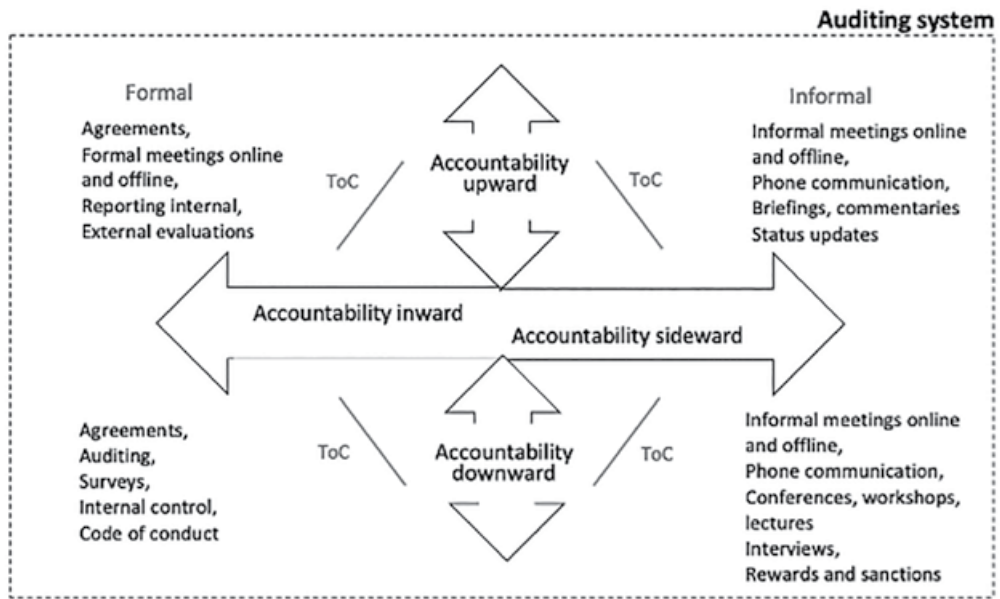


Figure 6.3 Application of ToC for aligning multiple accountabilities in the SP

1998). However, we also see that the complexity of interaction between stakeholders can make it more difficult to articulate and use a ToC (Jackson, 2013). Very often, the typical problem is also a lack of solid empirical analysis and systematic collection of evidence to evaluate the ToC (White, 2009). As we have discussed in the literature review section, SPs are quite complex and can produce tensions between different dimensions of accountabilities (formal/informal and vertical/horizontal) related to the stakeholders involved. We think that the project for the social adaptation of veterans reported in this chapter is an interesting example of how the use of a ToC has enabled a proper balance between different forms of accountabilities and, in its turn, enabled a more sustainable SP.

We can offer some possible explanations. First, the complexity of the SP creates a problem of how to make the ToC comprehensive and meaningful to the multiple stakeholders involved, especially because of actors' collaboration and shared responsibility (Aronson et al., 1998). The only way to avoid this complexity is to articulate the ToC clearly, explicitly and with consensual validation. In the case of the social adaptation project, the fact that the ToC was part of the formal upward accountability, required by the donor (MFA), made it important, during the project design stage, for all involved stakeholders to think about their roles and how they fit into the vision and mission of the SP.

Second, the biggest problem for ensuring social accountability is that many social initiatives do not necessarily have well-articulated ToCs (Stame, 2004). The related problem is that, even when designed, they focus on what is measurable (Aronson et al., 1998), leaving non-measurable aspects out of audit scope. Ensuring a proper balance between formal and informal accountabilities can improve the situation. In the project presented in this chapter, informal upward accountability was also mobilized to improve donors' contextual awareness of the project by not only formally reporting (e.g., on the number of veterans retrained) but

also giving donor representatives the opportunity to face and greet retrained veterans during graduation ceremonies.

Third, formal accountability can be also short-term-oriented because, for example, policymakers underestimate how much time it takes to achieve change and produce sustainable results (Aronson et al., 1998). The fact that the presented project has been running since 2003 made it possible to test and refine the ToC, as well as explore how it interacts with different forms of accountabilities. For instance, project development in later stages made it necessary to strengthen downward, sideward and inward accountabilities, due to the changing nature of expectations from Norwegian and Ukrainian societies in terms of better documenting project impacts for beneficiaries and anticorruption work.

Finally, the application of ToC as a tool in aligning multiple accountabilities contributed to obtaining agile service provision and increased multiple stakeholder engagement. However, we need more studies regarding the role of ToC and its relevance for public governance, especially in developing new performance management and accounting systems for aligning multiple accountabilities. Previous studies have demonstrated that there are close links between accountability and accounting. For instance, New Public Management organization favours accounting that strengthens vertical accountability, ignoring or downplaying horizontal accountabilities (Almqvist et al., 2013). On the contrary, public governance focuses on the need for multiple and complex accountabilities, potentially resulting in a performance management and accounting system that can run wild, aiming to account for everything and ending up measuring nothing. Thus, there is a real risk of multiplying the costs of collecting financial and non-financial information. More studies are needed on whether and how ToC can actually optimize accounting for good public governance, by creating a balanced accounting system.

NOTES

1. The project title: UKR-20/0002 Norway-Ukraine Professional Adaptation Integration into the State System (NUPASS) 2020–2022. The project has been modified since 24 February 2022, but we report on the findings collected prior to the full-scale war.
2. The war in Ukraine is considered to have begun in 2014 after the annexation of Crimea and the temporary occupation of eastern regions in Ukraine by the Russian Federation.
3. We use the following basic components to assess the improvements in quality of life – improvement in financial living conditions (Hayo and Seifert, 2003; Jensen, Spittal and Krishnan, 2005), psychological well-being (Topp et al., 2015) and life satisfaction (Diener et al., 1985) of the project participants. Job search intensity is measured by five general effort items adopted from Blau (1993) and Saks and Ashforth (1999).

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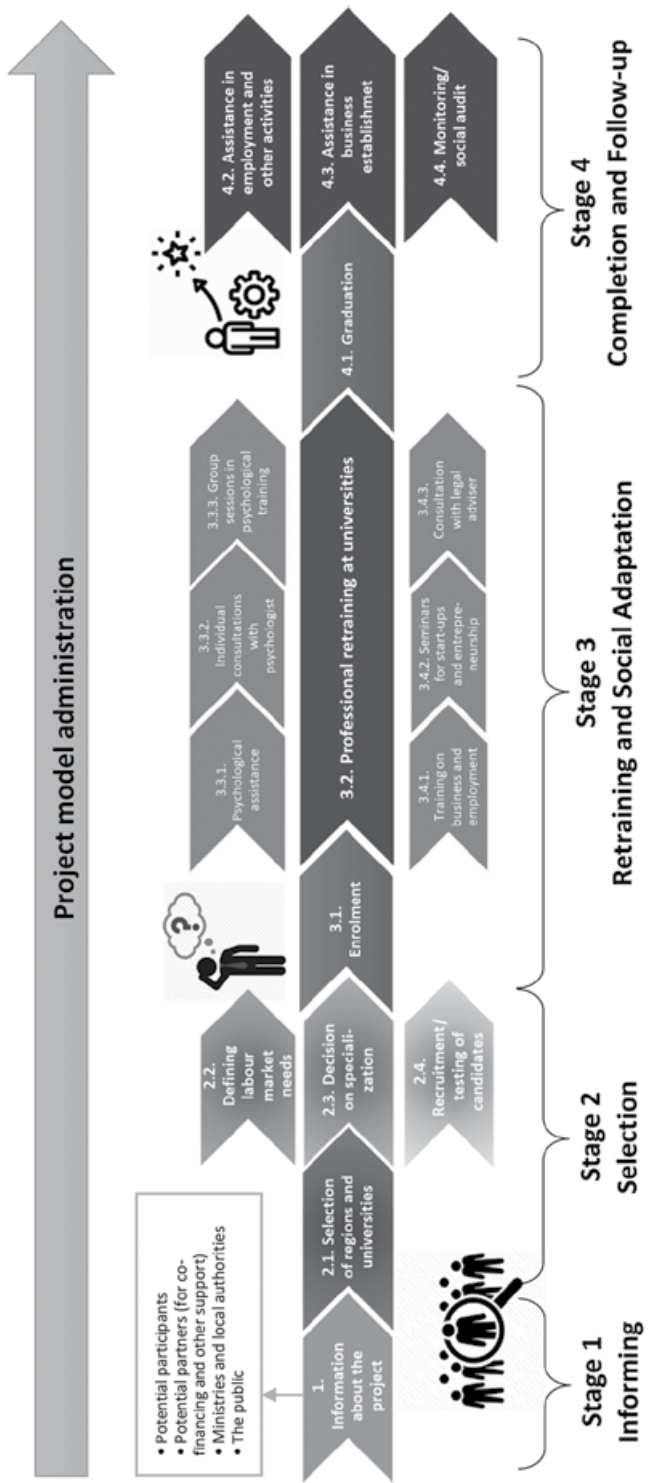
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APPENDIX 6.1



Source: Vakulenko et al., 2021, p. 13.

Figure 6.4 The model of professional and social adaptation of veterans and their family members

7. Interactive accountability in the case of digital governance

Olga Welinder

INTRODUCTION

The increasing use of technology in human life offers new possibilities for societies and governments. As the field grows, studies in the area have increasingly shifted toward discussions of digital governance and its impact on the public sector. These changes bring with them a number of unknowns and challenges for the traditional public administration system, which must accommodate the integration of technology into organizational settings (Gil-Garcia, Dawes and Pardo, 2018). The literature has recognized changes in accountability arrangements, which have moved from one-directional to more horizontal and hybrid forms, allowing for the involvement of multiple actors (Schillemans, Van Twist and Vanhommerig, 2013) and thus raising questions related to the complexity of interaction.

This chapter contributes to filling this gap by examining the interactive nature of public accountability in digital governance. The study adopts a framework that draws on stakeholder theory and outlines the conceptual and empirical aspects of interaction with multiple actors in digital governance (Axelsson, Melin and Lindgren, 2013; Scholl, 2004; Tan, Pan and Lim, 2005). As an empirical illustration, the Finnish digital platform Sitoumus 2050 is used to show how the government uses technology as a strategic tool to encourage bottom-up initiatives for sustainability and facilitate interaction among multiple actors (government, public and private organizations, and citizens).

This study provides several contributions to existing literature. Firstly, it enhances understanding of accountability by providing a more nuanced view of its interactive patterns through technology integration (Lindquist and Huse, 2017; Schillemans et al., 2013). Secondly, it deepens understanding of the digital governance agenda by linking it with public management research and showing how the government utilizes technology for strategy and policymaking. Finally, it contributes to the literature on hybridity by demonstrating how the digital setting enables the active involvement of non-government actors in policymaking, blurring the boundaries between functional sectors and permitting horizontal and vertical dimensions through formal and informal arrangements.

The chapter is structured as follows: the second section provides a theoretical orientation, giving an overview of the changes brought about by technology in the public sector, and introducing the digital governance agenda and its impact on accountability patterns. The third section presents an analytical framework, derived from stakeholder theory, for examination. The fourth section provides a brief illustration of Sitoumus 2050, a Finnish digital platform for promoting sustainability policy created by the government. The final section comprises a discussion with concluding remarks.

THEORETICAL ORIENTATION

Through Technology Toward New Accountability Arrangements

The traditional model of public administration is commonly associated with hierarchical and bureaucratic structures, marked by policy silos, bulky government, and various inefficiencies (Koppenjan, Karré and Termeer, 2019). Criticized for being poorly equipped to tackle major societal issues, public sector systems across the globe underwent significant reforms in the 1980s with the advent of New Public Management (NPM). This reform not only impacted organizational structures but also reshaped the perception of public sector accountability arrangements. It emphasized the role of managers and aimed to make the public administration system function as a business (Hood, 1995). This reform also brought more explicit attention to accountability; however, compared to the private sector, public accountability remained distinct with its relatively elusive and vague goals, unclear performance criteria, and strong political control (Mulgan, 2003). To address the shortcomings of the public governance and accountability system, there have been emerging trends in hybridity that blur the borders between traditional government and policy sectors, such as the state, market, networks, and society, through various ‘smart’ solutions and mechanisms to solve societal challenges (Koppenjan et al., 2019). The implementation of technologies has been a prominent approach, widely discussed in different research streams. The growing popularity of terms related to digital development has led to intense debates on new capabilities driven by technologies at a larger scale, such as digital governance (Mergel, Edelmann and Haug, 2019). The latter focuses on the effects of information technologies on the system of rules, practices, norms, and institutions encompassed by governance (Luna-Reyes, 2017). With technology at its core, digital governance expands administrative and management practices and promotes changes in the delivery of public services (Chen, 2017; Milakovich, 2012), putting pressure on traditional government structures and functions (Dawes, 2009).

Overall, the integration of technology in organizational settings holds the promise of making the public sector more efficient, transparent, and effective. However, this process challenges traditional approaches to administration, management, and accountability (Gil-Garcia et al., 2018).

The essence of accountability refers to taking responsibility for one’s actions and involves principal–agent relationships (Benish and Mattei, 2020). In digital governance, technology plays a mediating role, shifting accountability and governance toward more pluralistic and interactive configurations (O’Neill, 2020).

The notion of accountability has been widely studied in various areas, and in the context of the public administration system, it explicitly embodies democratic principles (Lindquist and Huse, 2017; Schillemans et al., 2013). Traditionally, accountability has two primary goals: monitoring and controlling government activities and preventing corruption and power abuse. These arrangements include systems of sanctions, defined formats for debates, and the ability to request information from supervisory or controlling units (Meijer and Schillemans, 2009).

In digital governance, the patterns of accountability are moving away from traditional, vertically integrated forms that are limited to financial data and spending legitimacy to more diverse and flexible configurations (Schillemans et al., 2013). Through the use of technology, public sector officials have the opportunity to provide relevant information in a more timely and transparent manner, as non-state actors become more involved in the process (Chen,

Table 7.1 Accountability patterns in traditional and digital governance

Traditional accountability	Accountability in the digital governance
• A hierarchical and vertically integrated structure • Formal and institutionalized arrangements • A forum for formal discussions only • A focus on financial data and the legitimacy of spending • A strict system of sanctions • Centralized control by a supervisory unit • Clear boundaries in defining the sectors (e.g., state, market, society)	• Strengthening horizontal ties in addition to the vertical dimension • Both formal and informal interaction • Active involvement of non-state actors • Flexible and diverse approaches to interaction • Frequent monitoring of government activities • Possibility to control and monitor remotely • No strict system of sanctions • Blurred borders among functional sectors

Source: Based on Meijer and Schillemans, 2009; O'Neill, 2020; Schillemans et al., 2013; Wong and Welch, 2004.

2017). This results in a wider range of non-state actors (e.g., citizens, local communities, and private organizations) being able to closely monitor government activities and even participate in the policymaking process through digital tools (Grossi et al., 2021; Wong and Welch, 2004).

The increasing number of actors and new forms of interaction in accountability leads to a need to redefine its core dimensions. These changes pose questions related to defining the roles, relationships, and goals of actors in complex cross-sectoral arrangements, contrasting traditional accountability with the new configurations arising in digital governance (Table 7.1).

In essence, the central theme of ongoing discussions regarding changes in governance and accountability in the digital realm centres around the role of technology in bridging the gap between state and non-state actors and transforming one-sided communication into more interactive forms (Wang, Medaglia and Zheng, 2018). In this vein, there is an increasing call for a deeper understanding of the shift toward networked, non-hierarchical patterns of organizational activities in digital governance (Milakovich, 2012) and its implications for accountability (Chapter 3 in this volume).

Interaction in the Digital Setting

Interaction in the digital setting has been studied from various perspectives. An array of technology tools, such as open data portals, digital government platforms, and participatory budgeting (PB) initiatives, have been analysed as facilitators and enablers of digital participation, with a particular focus on the involvement of citizens (Luna-Reyes, 2017). Despite extensive research on this topic, previous studies demonstrate limited evidence of how accountability arrangements with their interactive nature evolve when technology is used (Lindquist and Huse, 2017). For example, Wong and Welch (2004) examined the impact of electronic government on accountability across countries. Researchers focused on the organizational and contextual factors and argued that accountability arrangements in the digital setting are significantly influenced by the context in which they are embedded, such as the characteristics of the civil service system (i.e., 'nations') and the agency-specific organizational characteristics (i.e., 'bureaucracies') (Wong and Welch, 2004).

Building on this line of thought, Lindquist and Huse (2017) took a more systematic approach and outlined a research agenda on 'new accountability in the digital era', discussing existing findings and contributions on how technology tools shape accountability transfor-

mations. While previous studies have focused narrowly on citizen participation, the authors gave attention to other stakeholders and emphasized that ‘institutions, national traditions, and broader networks of actors are critical for limiting and advancing the possibilities of digital tools for improving accountability’ (Lindquist and Huse, 2017, p. 646).

More specifically, the interactive nature of accountability in the digital setting was identified by Schillemans et al. (2013), who distinguished between interactive, dynamic, and citizen-initiated accountability types. The interactive form focuses on interactive discourse to identify the target areas and priorities discussed collectively in public organizations, while dynamic accountability primarily refers to open data systems that hold the government accountable. The third type, citizen-initiated accountability, adopts a bottom-up approach and positions citizens as the key initiators who use their own information to hold the government to account. Although the interactive form was acknowledged as being widely applicable in carrying out various public tasks (e.g., payment, regulation and enforcement, maintenance of databases or buildings, registration, and licensing), the researchers highlighted the lack of clarity regarding this type of accountability arrangement (Schillemans et al., 2013).

Overall, existing literature agrees that there is a need for more in-depth conceptual and empirical studies on the interactive component in the digital setting and a more systematic examination of the new multi-dimensional forms of accountability (Lindquist and Huse, 2017; Wong and Welch, 2004).

STAKEHOLDER ANALYTICAL FRAMEWORK IN FOCUS

Responding to the existing call, this chapter delves further into discerning the features of interactive accountability arrangements in digital governance. Prior studies have suggested using stakeholder theory to understand both the conceptual and empirical aspects of building interaction in digital governance, which encompasses multiple actors with differing interests (Axelsson et al., 2013; Scholl, 2004; Tan et al., 2005).

Originally formulated by Freeman (2010) for the business setting, the key propositions of stakeholder theory have been gradually applied across multiple disciplines, emphasizing ‘organization/stakeholder relations’ (Friedman and Miles, 2002) and considering them as a main unit of analysis (Parmar et al., 2010). The term ‘stakeholder’ has been interpreted differently in various academic fields (Phillips, Freeman and Wicks, 2003) and has proven flexible enough to be applied in different contexts. When studying the activities of public sector organizations, the stakeholder perspective has been deemed especially relevant in the development of digital government, as it outlines actor relationships and recognizes their multiple interests in complex arrangements (e.g., Chan, Pan and Tan, 2003; Scholl, 2001; Tan et al., 2005). Although stakeholder theory has split into several streams, such as ‘instrumental’ and ‘business ethics’, this study generally refers to the stakeholder research tradition, which prior research has suggested using in the public sector setting (Scholl, 2001).

The foundation of the stakeholder perspective draws attention to three key dimensions related to stakeholders (Frooman, 1999). The first dimension defines the composition of stakeholders, distinguishing between primary stakeholders, whose role is critical for an organization’s survival, and secondary stakeholders, whose influence is more indirect. The second dimension covers their needs, interests, and goals, while the third focuses on how they attempt to achieve these interests.

Table 7.2 *Analytical stakeholder framework for capturing the interactive nature of accountability relations in the digital setting*

Stakeholder dimension	Defining questions
Composition	Who represents the main stakeholder groups?
Roles and relationships	What are the roles that stakeholders perform and their relationships with each other?
Interests	What are the main interests and goals being pursued?
Setting	How does the technology tool enable serving the stakeholders' interests?

Source: Axelsson et al., 2013; Scholl, 2001; Tan et al., 2005.

In the context of digital governance, a set of stakeholders can include politicians, public servants, private companies, citizens, and external government organizations. Hence, it is important to first define the constellation of the main stakeholders, recognize their roles and different interests, and then capture the ways in which these interests are promoted (Axelsson et al., 2013; Tan et al., 2005).

When examining accountability arrangements in the digital setting, the stakeholder approach can be especially relevant due to its overarching nature, characterized by the involvement of both state and non-state actors, vertical and horizontal ties, and blurred boundaries among functional sectors. Thus, by outlining the stakeholder dimensions when examining accountability, this study focuses specifically on capturing their composition, roles and relationships, interests, and the ways in which technology tools allow for their sustenance (Table 7.2).

Through the lens of stakeholder theory, this study will further analyse the interactive nature of public accountability by using the empirical illustration of the Finnish digital platform Sitoumus 2050 (hereafter, Sitoumus). Implemented by the national government in 2012, Sitoumus (the term 'Sitoumus' is translated as 'commitment' in Finnish) is an online platform that enables the government to gather information about sustainability activities. This platform, which is utilized by a diverse range of actors, serves as a government tool that promotes interaction among the government, organizations, and citizens to develop a national long-term strategy. Thus, it presents an intriguing empirical example to demonstrate the interactive nature of public accountability in the digital sphere.

EMPIRICAL ILLUSTRATION: SITOUMUS 2050

Background

In 2013, Finland underwent a reformulation of its National Strategy for Sustainable Development, resulting in a new format compared to the traditional strategy document. The Commission on Sustainable Development (hereafter, the Commission) established 'The Finland we want by 2050' (Commission on Sustainable Development, 2016) – a commitment that reflects the central government's long-term strategic vision on sustainability. The development of the website Sitoumus 2050 was initiated by the Prime Minister of Finland and received considerable promotion from the government. Defining sustainability as a priority, Sitoumus was seen as both a part of the national strategy and a government tool for its implementation. Initiated at the national level, Sitoumus is a free-access digital platform that collects the so-called operational commitments; i.e., concrete actions that citizens and organizations will undertake over the next 5–10 years to enhance sustainability.

Later, in 2015, at the supranational level, the United Nations (UN) set the 2030 Agenda for Sustainable Development, prescribing universal guidelines for governments and policymakers worldwide to advance sustainability. The Agenda consists of 17 Sustainable Development Goals (SDGs), which reflect a range of targets and indicators of sustainability covering both environmental and social dimensions. Beginning in 2016, the UN SDGs were widely promoted across the globe to be integrated into national policy as a universal and comprehensive framework to follow (United Nations, 2015). Heading in this direction, Finland became one of the pioneering countries that actively supported the 2030 Agenda and, thus, the government aligned its earlier-developed strategy to the global sustainability agenda, introducing UN conceptual principles into the national strategic vision. Among a wide range of objectives, a strong emphasis was placed on the environment (e.g., a ‘carbon-neutral society’ and a ‘resource-wise economy’) as well as on enhancing citizen involvement and government transparency (e.g., ‘a participatory society for all’). The practical integration was delegated to the actors who make commitments to sustainability through the Sitoumus platform, which will be further adjusted to the lens of the SDG set to demonstrate explicitly its contribution to the particular goals (Commission on Sustainable Development, 2016).

Stakeholder Composition, Roles, and Relationships

The development of Sitoumus was initiated by the Prime Minister’s Office in collaboration with the Commission and a Finnish innovation funding organization. A digital platform was created that connected governmental institutions, organizations, and citizens. The platform was primarily aimed at public organizations and private companies, offering a common space for the collection of policies and practices aimed at promoting sustainability.

The more commitments made in a particular area, the stronger the impact it can have on sustainability in the mid to long term.

Initially, Sitoumus was promoted by the national government, but later its management was delegated to the state-owned N-organization (hereafter, N-organization). The N-organization continued to work closely with the Commission, providing annual performance reports of Sitoumus activities for internal use. The Commission also publishes free-access reports based on the data collected, showing the number of commitments and general trends.

Private companies, public organizations (e.g., municipalities, educational institutions), and non-governmental organizations (NGOs) are encouraged to contribute to sustainable development by associating their activities with the SDG agenda. Citizens have the opportunity to make individual commitments through the digital platform. The N-organization acts as a mediator, gathering data from applicants, checking the alignment of their declared contributions with the SDGs, and publishing this information on the platform. To track the implementation of commitments, the N-organization conducts a survey among applicants to monitor ongoing activities.

Stakeholder Interests

Essentially, the government of Finland has established the digital platform Sitoumus as a means to promote sustainability as a national strategic priority. The website provides information about the sustainability agenda and encourages companies, organizations, and individuals to contribute voluntarily to the UN SDG framework. The N-organization is responsible

for promoting the platform and collecting data from applicants to monitor their alignment with the SDGs. The Commission and Prime Minister’s Office use this information to design and monitor domestic sustainability policy.

An annual ceremony is also held to recognize the best commitment made through Sitoumus. The winner, selected by a committee including representatives from the N-organization and the Commission, is awarded a diploma for their best practice. Sharing a commitment on the platform increases visibility and provides reputational benefits for the applicant organization.

Individual citizens can also make commitments through the platform, becoming actively engaged in the policymaking process and monitoring the government’s activities. Figure 7.1 represents a map of the main stakeholders and their relationships.



Figure 7.1 A schematic illustration of the accountability relationships facilitated through the digital platform Sitoumus 2050

Setting

Sitoumus places a strong emphasis on the environment, with commitments made by organizations and individuals spanning a variety of categories. Reducing carbon usage remains a key priority among the more than 2700 commitments that have been collected. The platform is freely accessible, ensuring that a range of actors can share their plans and ‘promises’ in support of the SDGs’ policy and demonstrate how these commitments are being put into practice, making it available for peers and thereby increasing transparency (Lindquist and Huse, 2017).

Interactions among actors (including governments, public and private organizations, and citizens) take place within the digital setting. Organizations can submit operational commitments and present them publicly, and through regular online surveys the N-organization main-

tains contact with the applicants, offering a range of social media channels (such as Twitter, LinkedIn, Facebook, and WhatsApp) for facilitating electronic communication.

Due to its remote and free accessibility, the Sitoumus platform provides organizations with the opportunity to monitor their peers' contributions to the SDGs and increase their public visibility. In the same digital setting, citizens can also monitor the ongoing activities of the state and other organizations by tracking their operational commitments and sustainability-related documentation.

The main findings of the empirical illustration of Sitoumus are briefly summarized in Table 7.3.

Table 7.3 Dimensions of the relationships among the actors involved in Sitoumus 2050

Stakeholder dimension	Sitoumus 2050
Composition	1. Supranational level organization: the UN. 2. National-level government: a. Prime Minister's Office. b. Commission on Sustainable Development (the Commission). c. Finnish innovation funding organization. 3. The state-owned enterprise (N-organization). 4. Other organizations: public sector (e.g., municipalities, education entities), private companies. 5. Citizens.
Roles and relationships	1. The UN: Defines the global strategic agenda on sustainability and delegates its practical adoption to the government at the national level. 2. National-level government: a. Prime Minister's Office: Main initiator and coordinator of the national sustainability efforts. b. National innovation funding organization: Assists in the development of the digital platform for sustainability efforts. c. The Commission: Defines the national strategy and policy agenda on sustainability, development, and initial promotion of the platform, publishes reports, and provides information to potential stakeholders. 3. State-owned enterprise (N-organization): Manages, collects, and promotes data through the coordination of the digital platform and maintains both online and offline communication with applicants. 4. Private companies and public organizations: Independent and voluntary contributions to sustainability are made through the submission of public operational commitments on the platform. 5. Citizens: Monitor the activities of both state and non-state actors on the global sustainability agenda and have the ability to submit individual commitments.
Interests	1. Government: Fostering sustainability policy and strengthening bottom-up initiatives from multiple types of organizations to align their internal policies and practices with national strategic priorities. Engaging citizens in the policymaking process. 2. Private companies and public organizations: Enhancing organizational visibility, cultivating a positive image and reputation with the public and peers, influencing national sustainability policy. 3. Citizens: Engaging in the policymaking process by providing individual contributions to improving sustainability and participating in government activities by expressing opinions and providing feedback.

Stakeholder dimension	Sitoumus 2050
Setting	Publicly available digital platform: - Developed and run by the central government to foster domestic sustainability policy and promote global and national strategic priorities across the country. - Presents a common digital space: Provides information on bottom-up initiatives gathered from organizational and individual actors on sustainability initiatives, and allows for both online and offline interaction.

CONCLUDING DISCUSSION

The growing role of technologies had a considerable impact on the various activities conducted by both the private and public sector. Research on digital development and related terms gained tremendous popularity (Greve, 2015; Mergel et al., 2019), moving from fragmented studies on the capabilities of technologies to a more comprehensive perspective of digital governance (Milakovich, 2012). Digital governance challenged traditional methods of administration, management, and accountability (Gil-Garcia et al., 2018), resulting in a number of unknowns throughout this transformation of governance and accountability relationships. The shift to networked, non-hierarchical patterns of organizational activities in digital governance bridged the distance between state and non-state actors, transforming one-sided communication into more interactive forms (Wang et al., 2018).

This chapter aimed to provide a deeper understanding of this transition and capture its implications for accountability by using an analytical framework derived from the stakeholder theory (Axelsson et al., 2013; Scholl, 2004; Tan et al., 2005). The framework helped outline a set of key dimensions to discern the interactive nature of accountability relationships in the digital setting. To demonstrate this, I provided a brief illustration of the Finnish digital platform Sitoumus 2050. This Internet website, initiated by the central government, collected information on ongoing sustainability activities and served as a government tool, facilitating interaction among government, organizations, and citizens in developing a national long-term strategy.

This chapter offers insights toward a more nuanced understanding of the features of public accountability in the digital setting, highlighting the following points for discussion:

- The digital setting constructs multilateral accountability relations.

As previous studies recognized, the integration of technology transformed public accountability (Lindquist and Huse, 2017; Schillemans et al., 2013). These studies mainly focused on citizens' digital participation (Luna-Reyes, 2017); however, the example of Sitoumus 2050 demonstrates that engagement can be much broader and more complex. The interaction via the platform goes beyond communication between government and citizens and also includes a variety of other actors, such as municipalities, education entities, and private companies, who actively contribute to the national sustainability agenda and become active subjects in the policymaking process.

The digital platform enabled government entities to be more accountable to citizens and organizations, and vice versa. The commitments made by other actors became available and transparent to the public and peers, which replaced the traditional approach of solely government accountability. Instead, the multiple accountability relationships blurred the borders between different sectors and altered conventional approaches of public administration (Gil-Garcia et al., 2018).

- The interaction process in digital governance occurs in various forms, including hybrid configurations.

The empirical illustration of Sitoumus 2050 shows that the interaction process among key actors unfolds not only through the vertical and hierarchical relationships typical of traditional governance (Meijer and Schillemans, 2009), but also horizontally through establishing contacts with organizations that have submitted operational sustainability commitments. This type of interaction is less formal and lacks a strict control system of sanctions, but instead is enhanced through non-legislative and non-financial incentives, such as annual recognition and an award for making the best commitment. These incentives make the interaction more prestigious and move it beyond a solely digital format toward hybrid arrangements (Koppenjan et al., 2019).

This study offers contributions to the existing body of research in various ways. Firstly, it adds to the understanding of accountability by highlighting the intricate nature of its interactions that arise from technology integration (Lindquist and Huse, 2017; Schillemans et al., 2013). Secondly, it provides a more comprehensive understanding of digital governance by highlighting its relationship with public management research and demonstrating how government leverages technology as a policymaking tool. Additionally, the study contributes to the discourse on hybridity by showcasing how a digital setting enables non-government actors to actively participate in policymaking, blurring the boundaries between state, market, and society through both formal and less formalized activities facilitated by technology. In this regard, the study shows that the development of hybrid arrangements can be accelerated by technology, and this hybridity not only transcends the boundaries of jurisdictions and policy domains (Koppenjan et al., 2019), but creates a room for innovative government practices and fosters new forms of cross-sectoral collaboration.

To conclude, the interactive patterns of accountability arrangements in the digital setting have been found to be highly complex and multifaceted. The examination of key actors and their relationships through the lens of stakeholder theory provided an initial insight into the surface of these patterns. However, further theoretical and empirical research is required to gain a deeper understanding of the role of technology in shaping public accountability transformations.

In order to advance the knowledge in this field, the next steps of research could be directed toward exploring the implications of interactive accountability in different contexts. While this study has focused on the example of the Finnish digital platform, future studies may uncover different patterns of government action in utilizing digital tools in other empirical contexts. Comparative research could also be useful in highlighting the characteristics of the interactive component and its implementation across various settings.

For policymakers and public sector practitioners, this research provides insights into the contextual specificity of designing technological tools to facilitate the involvement of non-state actors. By gaining a better understanding of the adoption of these tools in the public administration system, it would be possible to create more effective strategies for navigating hybrid arrangements and increasing accountability in the digital setting.

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PART III

BUDGETING IN HYBRIDISED PUBLIC GOVERNANCE: THEORY AND PRACTICE

8. The use of non-financial performance indicators in the budgeting process of hybrids

Tjerk Budding and Vera van Schie

INTRODUCTION

Hybrid organizations are becoming more common. Due to the rise of New Public Governance (NPG), the inter-organizational and horizontal focus has increased, in which collaboration between organizations and the coordination of networks of organizations have become more important (Klijn, 2012). These hybrid organizations operate on the borderline of the private and public sector and make use of instruments from the public, private and non-profit sectors (Billis, 2010; Grossi and Thomasson, 2015). Hybrid organizations consist of networks between organizations from different sectors such as companies and public agencies, at the micro, meso and macro level. In addition to public sector organizations, private organizations often act according to the public interest and therefore deliver more and more public service provision (Johanson and Vakkuri, 2017). Hybrid organizations can combine the interests and needs of the public and private sector and balance their goals accordingly (Vakkuri and Johanson, 2018). Examples of hybrid organizations are public–private partnerships (PPP), social enterprises (SE) and state-owned enterprises (SOE).

This chapter discusses the use of non-financial performance indicators in the budgeting process in hybrid settings. It does so by taking a user perspective (De Waele et al., 2021; Van Helden and Reichard, 2019), focusing on the way Dutch municipalities use such indicators in their budgeting process as far as hybrid entities are concerned for the implementation of their policy. In the Netherlands there are 342 municipalities (in 2024), and these are considered to be the most visible and important level of government, since they provide a broad range of services for citizens (Hendriks and Tops, 2003). They are responsible for social services and assistance, waste collection, maintenance of roads and sewage systems, and employment promotion facilities, for example. While many tasks these entities have to perform are prescribed by central government, it is largely at the municipalities' discretion how these are carried out. Municipalities outsource many of their tasks, for instance, to other municipalities, private firms and municipal enterprises. Some municipalities even label themselves as 'direction municipalities', in order to indicate that all activities that could be carried out by other entities are indeed outsourced. However, the municipalities remain responsible for the policy execution and – unlike in some other countries (such as in the case of Portuguese municipal corporations; see Tavares and Camões, 2007) – funding is also mainly provided by the municipalities, even if user fees are levied.

As De Waele et al. (2021) state, there is currently only limited consolidated knowledge of performance management in hybrid public sector organizations. Traditional performance management systems are not suited to hybrid organizations and should be adapted to what is known as performance governance, which is based on inter-sectoral co-processes between the public and private sector (Agostino and Arnaboldi, 2018; Bouckaert and Halligan, 2007).

Therefore, more research into the performance measurement systems (PMS) of hybrids is needed. Given their societal focus, it could be expected that performance indicators in hybrid settings focus on public value creation and are not limited to financial indicators (Grossi, Vakkuri and Sargiacomo, 2021). However, as hybrids generally deal with numerous stakeholders who have varying interests, the use of performance indicators in this setting may be difficult (Grossi et al., 2017; Karré, 2021). Furthermore, Agostino and Arnaboldi (2017) pointed out the risk of minimal rational use, and more ritualistic use of performance indicators in hybrid settings. This chapter explores these issues further by analyzing whether municipalities use a different selection of performance indicators when hybrids (more specifically: municipality-owned firms) are used for service execution as opposed to in-house delivery, an inter-municipal cooperation or a private firm. Furthermore, we analyze which indicators are used by municipalities for controlling activities in the area of social services.

This chapter proceeds as follows. In the next section, we give an introduction to the use of performance indicators in hybrid settings and the way indicators can be used in budgeting. This is followed by a discussion of two cases. In the first, we explore whether evidence can be found that municipalities' use of non-financial performance indicators in the budgeting process is dependent on the way activities are carried out, and whether in the case in which hybrids are contracted this leads to another use of indicators. In order to do so, data from annual reports of Dutch municipalities, as well as information about the service-delivery modes chosen, are used. In the second case, we discuss the way municipalities use performance indicators for controlling entities in the social domain. This chapter ends with a summary and conclusion.

THEORY

Use of Performance Indicators in Hybrid settings

As is also the case in public sector organizations, the use of performance indicators in hybrid organizations has increased from the early 1980s onwards, hereby inspired by New Public Management (NPM) reforms. Financial management concepts were further developed, and it became more usual to integrate output and outcome performance indicators in reports, in addition to the input indicators, already used (Grossi et al., 2017). Also under the NPG paradigm, performance indicators are seen as important devices. However, whereas NPM is primarily based on a vertical and hierarchical view, NPG emphasizes a horizontal focus. Furthermore, NPM concentrates on the outputs of individual organizations while NPG is aimed at results, especially the outcomes of collaborative efforts. Finally, under NPM performance indicators are used in a 'command and control' manner, whereas under NPG their function is mainly to support processes of debate and dialogue among the partners with different competencies within a network (Almqvist et al., 2013). This already indicates that performance information use in collaborative contexts may differ from their use in hierarchical situations.

Scholars have argued that 'more attention needs to be devoted to ways in which performance management strategies can measure non-profit impact more broadly defined', so that hybrids can be managed more effectively (Skelcher and Smith, 2017, p. 428). It was also stressed that performance indicators should be customized for use in hybrids, taking into account the different goals and stakeholders that organizations have, and differences in their accounting history (Agostino and Arnaboldi, 2017). However, the use of performance indi-

cators in hybrid settings is considered complex as numerous factors need to be assessed in such settings, such as financial health and performance, and achievement of the organization's mission in a multiple-stakeholder structure (Grossi et al., 2017). Since hybrids are expected to create value for society, they should not be evaluated on financial results alone, but also on their public value creation (Grossi et al., 2021; Moore, 1995). However, Voorn, Van Genugten and Van Thiel (2020) indicate that output measurement (i.e., a focus on performance in the economic sense: are they effective, efficient, and productive in achieving their goals) is critical to assess how well public services are delivered. Furthermore, they stress that hybrids (in their empirical setting municipally owned corporations) are frequently founded in the belief that they should increase output, thereby further grounding the relevance of output measurement.

An important issue for the implementation of performance management in hybrids is that goals, values and interests of the various stakeholders of hybrid organizations often conflict; for instance, in a public–private partnership, when a private company focuses on financial performance while a municipality wants to achieve societal value for the citizens. The result could be that the performance of this hybrid is assessed by using financial performance indicators, whereas their aim is the provision of public services (Shaoul, Stafford and Stapleton, 2012). These conflicting goals and values complicate performance management in hybrids when expectations and interpretation of justified performance differ among stakeholders (cf. Chapter 12 in this volume). In addition, the interpretation of performance assessment and criteria, such as service quality, may vary (Grossi et al., 2021; Olsen, Solstad and Torsteinsen, 2017). The differences in values and interests among stakeholders may also have an effect on transparency: in a situation in which various values (e.g., efficiency, technical competency, inclusiveness) have to be taken into consideration at the same time, hybrids may be tempted not to be transparent about contested issues (Karré, 2021).

Based on a literature review, De Waele et al. (2021) developed a framework for measuring performance in hybrid public sector organizations. In this model, four pillars were distinguished: economy, efficiency, effectiveness and (social) equity. Since public sector hybrids combine different stakeholders and goals they often need multiple indicators that can be selected from these pillars. They also stress that more research is needed on the users of performance indicators in hybrid public sector organizations, as this way more insight into the kind of use of the information can be gained. Agostino and Arnaboldi (2017) researched how key performance indicators (KPIs) are used in hybrid organizations. By analyzing a local public transport service in Italy, they found that the network KPIs were used by different network actors in either a rational, decoupled or ritualistic way. Only the small service providers in the network used the network KPIs in a rational way in order to develop knowledge about their service provision and support decision-making processes. The larger service providers, however, used the indicators in a ritualistic way: while they complied with formal rules, they used their own set of organizational KPIs when making decisions. Therefore, the network and organizational KPIs were decoupled.

Vakkuri et al. (2021) suggest three strategies that public managers could use to create consensus about the chosen performance indicators. The first strategy is mixing: aspects from different institutional logics from organizations, such as practices, values and systems, are then combined in performance management. The second strategy is compromising, which means that performance dimensions should be modified so that they do not represent one logic directly. Finally, legitimizing, in which organizations and stakeholders should legitimize the logics that are embedded in the performance measurement framework. These three strategies

can also be used for value creation of hybrids, when various value categories are mixed, forms of value creation are compromised and the value creation outputs are legitimized (Grossi et al., 2021).

Despite the great importance of performance management in hybrids, the overall picture of previous literature is that in practice limited aspects of performance are measured by performance indicators in hybrids, which are usually output focused (Grossi and Thomasson, 2015; Modell, 2005). Scholars have also called for more research into the actual end-use of performance indicators (Agostino and Arnaboldi, 2017).

Use of Performance Indicators in the Budgetary Process

In both private and public sector organizations budgeting is regarded as important in controlling the organizations' expenditures (Libby and Lindsay, 2010). Horngren et al. (2012, p. 842) see a budget as '(a) the quantitative expression of a proposed plan of action by management for a specified period and (b) an aid to coordinate what needs to be done to implement that plan'. They add that a budget generally includes both financial and non-financial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period. Budding and Grossi (2015) distinguish several functions of budgets. First of all, budgets may be helpful for planning purposes. They force politicians and managers to think about the future and to make decisions with regard to tasks to be performed, as well as the resources to be spent on them. Secondly, budgets serve as a tool for a number of control purposes: they authorize managers (or politicians) to spend money. In some countries (e.g., in Napoleonic ones, but also on the Dutch central government level), these allocation decisions even take the form of legal instruments. Furthermore, they function as a coordination and communication device, as they force communication about the organizational goals and priorities. Finally, as plans and budgets become targets they have a role in the motivation of managers, because these targets are linked to performance evaluations.

Particularly from the 1990s onwards, the integration of performance information in the budgetary process has received much attention, although as early as the 1950s the US government used a form of performance budgeting (Budding and Grossi, 2015). In 1949 the performance budget was introduced which was concerned with the efficient performance of work. This was done by the Hoover Commission, a body appointed by President Truman in 1947 to recommend administrative changes in the Federal Government of the United States (Schick, 1966).

Advocates of the reform, labeled as 'performance-based budgeting' or 'performance budgeting' expect that this instrument would lead to better allocation decisions, higher operational efficiency and enhanced accountability (Raudla, 2022). However, a study by the Organisation for Economic Co-operation and Development (OECD, 2007) already showed that a large variation can be observed in the way performance-based budgeting is implemented. This can vary from presentational use of performance information (where no link between performance information and funding can be observed) via performance-informed budgeting (loose/indirect link between performance information and funding) to direct/formula performance budgeting (tight/direct link). Furthermore, and based on a comprehensive literature review, Raudla (2022) concluded that in addition to instrumental use of performance information in the budget process, non-instrumental can also be found. In the former category, performance information

is used to hold the executive branch accountable or to support budgetary decision-making; the latter encompasses political, rhetorical, symbolic, opportunistic and ceremonial uses.

Budding, Faber and Schoute (2022) studied the incorporation of non-financial performance indicators in budget documents of Dutch municipalities (refer to Box 8.1 for a short history of performance-based budgeting in this setting). In these entities much effort was made to integrate performance budgeting and non-financial performance indicators, but the results were generally regarded as disappointing. In 2015 new legislation was implemented, and Dutch municipalities were obliged to publish a mandatory set of non-financial performance indicators in their budget documents and annual reports. Budding et al. (2022) found that not all municipalities met this legal requirement, as some ‘forgot’ to publish some of these indicators. The authors also observed that in 2019, their year of observation, two out of five municipalities used only mandatory indicators in their budget, and no additional and non-mandatory ones.

For the non-mandatory indicators, Budding et al. (2022) made a distinction between input, process, output and outcome indicators. Input indicators measure the resources that are used, and process indicators look at how tasks are performed. Output indicators give the number of services provided or products delivered, and outcome indicators provide information about the effectiveness and citizen satisfaction with services. The non-mandatory indicators that are used by municipalities are mostly output indicators. Even though outcome indicators are important for citizen satisfaction, the use of these kinds of indicators in municipalities lags behind, which could be because other indicators are easier to measure. The study of Budding et al. (2022) also showed that the use of non-financial performance indicators does not depend on legislation only, but also on local conditions. Namely, larger municipalities, municipalities that are more willing to innovate, and have fewer financial resources, incorporated more indicators.

BOX 8.1 PERFORMANCE-BASED BUDGETING IN DUTCH MUNICIPALITIES

Dutch local government has a long history in developing performance-based budgeting (PBB), and several initiatives have been taken to implement it (Budding et al., 2022). One of these was the Policy and Management Instruments (Beleids en Beheers Instrumentarium, or BBI) project that ran from 1987 to 1995. This project stimulated municipalities to use private sector tools such as cost allocation, output budgeting and responsibility accounting. Municipalities changed their traditional policy area budget format to a product-based budget format. Because of this, specific services with their costs and revenues and related performance indicators could be identified.

In 2004, the Decision Budget and Accountability for Provinces and Municipalities Act (*Besluit begroting en verantwoording provincies en gemeenten*) came into effect. Under this Act, municipalities had to publish both a program budget and a product estimate. In the program budget the political priorities, future activities, resources involved and outcomes to be achieved are established by the municipal council. This should help political decision makers to focus on the main political issues, so it should contain clear information. Municipalities are free to determine their own programs, as long as they answer questions about what they want to achieve, what they are going to do and how many resources are going to be used. Through these questions, goals and effects, programs and activities, and resources that need to be budgeted are defined. In the project estimate, the program budget

is translated into a specific work program for civil servants, and the output and associated costs are noted. These documents can be used to more effectively exercise control on the policy execution and the service and output provision of civil servants (Budding, Faber and Vosselman, 2019).

In 2015, new rules came into effect that stated that municipalities had to publish uniform financial and policy indicators. These financial indicators give insight into current and future solvency of a municipality, and policy indicators give a broad range of information, from the number of external personnel to the percentage of inhabitants that do not take part in sports (Budding et al., 2019). These non-financial indicators are important to give a more complete picture of the performance of municipalities and therefore assist in decision-making.

USE OF PERFORMANCE INDICATORS IN DUTCH HYBRID SETTINGS

In order to further explore the use of performance indicators in hybrid settings, this section analyzes two cases. Hereby, data from two previous publications are used and further analyzed for the specific purposes of the current study. The first case focuses mainly on activities in the physical and operational domain of Dutch municipalities, whereas the second discusses the way Dutch municipalities use performance indicators for controlling entities in the social domain.

Differences in Indicators Between Service-Delivery Modes

In a project aimed at finding determinants of choices of service-delivery modes, Schoute, Budding and Gradus (2018) studied the influence of service, political, governance and financial characteristics on such decisions. They defined governance as ‘the processes by which organizations are directed, controlled, and held to account’ (IFAC, 2001, p. 1) and operationalized this term by analyzing the types of performance indicators (input, process, output, and outcome) as reported in the annual reports of the municipalities. The main user of the annual report is the municipal council as this is the formal actor to which the annual report is directed. To gather the information, they used the annual reports for the financial year 2010 of the 86 municipalities that responded to their survey. Note that in 2010, the obligation to publish a set of uniform indicators was not yet in effect. Schoute et al. (2018) distinguished four service-delivery modes: in-house delivery, inter-municipal cooperation, municipality-owned firm and private firm. For this chapter, the third category, municipality-owned firms, is particularly relevant as these can be considered hybrid entities (Voorn et al., 2020), as they have a profit goal while their shares are in the hands of public entities.

While Schoute et al. (2018) used their data to find determinants of choices of service-delivery modes, this information can also be used to analyze differences in performance information use between these service-delivery modes. Table 8.1 shows the emphasis the municipalities put on the performance indicators distinguished. The average emphasis the municipalities put on the different types of performance indicators is 28.3 percent on input, 23.3 percent on process, 32.4 percent on output and 15.9 percent on outcome indicators, respectively. However, for

Table 8.1 Differences in performance information use between service-delivery modes

Kind of indicator	In-house		Inter-municipal cooperation		Municipality-owned firm		Private firm		Total		F-test	Welch test
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.		
Input	29.9	24.5	27.6	24.2	20.6	16.4	26.4	21.6	28.3	23.5	3.230**	4.964***
Process	23.3	15.6	23.6	15.6	27.0	13.6	22.4	14.6	23.3	15.3	1.315	1.598
Output	32.4	16.1	32.4	17.5	34.3	13.9	31.9	15.7	32.4	16.0	0.313	0.394
Outcome	14.4	13.7	16.4	15.7	18.0	13.6	19.3	15.9	15.9	14.5	6.055***	5.540***

Note: S.D.: standard deviation; **: significant at the 0.05 level; ***: significant at the 0.01 level.

Source: Schoute et al., 2018, p. 514.

in-house delivery a statistically significant difference in the use of input and outcome indicators is found. Whereas for the former a higher use is observed, for the latter the opposite is found. For private firms the use of outcome indicators is statistically significantly higher. Given their societal and market orientation, one would expect a relatively high use of outcome indicators for municipality-owned firms, which we consider as hybrid entities. However, while this use is indeed higher for such organizations than for in-house delivery and inter-municipal cooperation, it is lower than for the use in private firms. For municipality-owned firms we observe a relatively high use of output indicators. This is in accordance with earlier theory (Grossi and Thomasson, 2015; Modell, 2005), but against normative expectations. Finally, the use of process indicators is relatively high, which may indicate the desire of municipalities to have arm's-length control in hybrid settings.

In their study, Schoute et al. (2018) focused on services in the physical and operational domain. In total, 12 services were studied, six of them belonging to the physical domain and five to the operational domain. Only one service (social security department) was part of the social domain. However, as the importance of this domain has increased significantly recently, the following section discusses the use of performance indicators in that area in more detail.

Use of Performance Indicators in the Social Domain

While Dutch municipalities traditionally have a role in providing social support for their citizens, this role increased considerably as a result of some far-reaching decentralization measures. In 2020, 38 percent of the total costs of municipalities were related to the social domain, and therefore this was the main spending category of municipalities in 2020 (BDO, 2022). Since 2015, municipalities in the Netherlands are responsible for providing support to citizens with a disability, in order for them to be self-sufficient and to participate in society. The help for elderly people with physical disabilities and for young people with mental problems is considered particularly important. Dutch central government has given municipalities a free hand in how to carry out these activities and how to make funding arrangements with the parties municipalities contract. In daily practice, municipalities outsource most of the activities in the social domain to external parties (Wind and Uenk, 2020). Most of these contractors can be seen as hybrids: their goal is to provide high-quality care, but they also aim to make (some) profit. Most of these contractors are not (partly) owned by the municipalities, but are either a not-for-profit organization (in the legal form of an association or foundation) or a private organization.

The funds municipalities need for the activities in the domain of social care are made available by central government, although there are numerous indications that the funding does not cover the full costs (Alders and Schut, 2022). Furthermore, municipalities run the risk of having deficits as the funding is not based on the actual costs municipalities face, but on several ‘objective’ parameters, such as the number of inhabitants.

There are three types of funding arrangements municipalities can use to financially compensate the organizations with which they collaborate: fee-for-service-based, outcome-based, and population-based contracts (Uenk and Telgen, 2019). The underlying idea of these types is that the reimbursement system depends on the way municipalities want to control the activities:

1. In fee-for-service contracts a municipality and an external entity agree that the latter will deliver specific products or services in a certain time period for a fixed price; e.g., one day of daytime activities for a person for a price of X euros.
2. In an outcome-based arrangement an agreement is settled about the delivery of a product or service for a fixed price, but the way in which this output is achieved is not determined. A well-known example in the Dutch case is the agreement that the care provider will make sure that a client will have ‘a clean house’.
3. In population-based funding arrangements all care and/or support activities for a specific group of clients are provided by a single organization, and this entity has the discretion to decide how to carry out the activities. There is no direct relationship between the number of clients and the amount of funding. An example of this arrangement is the funding of the care team for a neighborhood in a municipality.

In summary, these funding arrangements differ in terms of the kind of agreements that are made between the municipality and the care providers, the reports the care providers have to deliver and the base for cost reimbursement. As far as the use of performance indicators is concerned, the expectation is that in fee-for-service and outcome-based arrangements the use of output (and outcome) indicators (in terms of clients to be served and/or services to be provided) is expected, whereas in population-based funding arrangements process indicators will be used. In December 2017, the Dutch Parliament unanimously voted for the implementation of new regulation (Staatscourant, 2019) that forced municipalities to ask only for performance information that matches the funding arrangement. The explanatory memorandum of the new regulation (Staatscourant, 2019, p. 4) gives further information about the background of the rules: ‘Municipalities are obliged to apply the arrangements consequently and consistently.’ The regulation should prevent municipalities from making agreements according to a specific funding arrangement but asking for reports according to another funding arrangement, because if this happens ‘this will lead to an unnecessary rise of the costs of work’. However, in practice it turns out that municipalities often ask for additional information besides that expected according to the funding arrangement.

Jongedijk and Budding (2021) analyzed the extent to which the use of performance indicators in the social domain by Dutch municipalities corresponds to the funding arrangements used. In order to do so, they conducted interviews with controllers in nine municipalities and inter-municipal partnerships, in the period November–December 2020. Whereas the main users in the case mentioned above were the members of the municipal council (as the annual report is specifically composed for them), the users in this second case are civil servants who need the performance information for monitoring purposes. While on the one hand Jongedijk and Budding (2021) conclude that there is indeed a match between the funding arrangement in

place and the performance information used, on the other hand they also observe that several municipalities ask for additional information. The main reason for doing so is that municipalities want to be able to make financial forecasts. This is considered especially important, as several municipalities are confronted with financial deficits as a result of the costs in the social domain. Another, and related, reason is that municipalities want to be able to monitor whether efforts are made for care reforms. These are seen as necessary as the number of clients is increasing over time, partly as a result of an increasing old age dependency ratio.

Furthermore, the interviews revealed that several perverse incentives are experienced as a result of the funding arrangements:

1. The use of fee-for-service arrangements may lead to the risk that improvements are not stimulated, as the reimbursement is based on the actual way the care is provided.
2. In population-based funding arrangements there is a risk that contractors provide care to clients as long as budget is available. If they run out of budget, waiting lists will be used.
3. When several funding arrangements are used within one municipality (which happens quite often), there is a risk that when the budgets are spent for a specific arrangement, care will be provided via another arrangement.
4. The use of outcome-based arrangements may give care providers the incentive to reach the targets as soon as possible, even if this is not in the interest of clients. Furthermore, sometimes questions can be raised about whether care providers are able to fully control the achievement of the goals, or if this depends on external circumstances.
5. If municipalities collaborate with other municipalities, there can be a risk that municipalities that effectively control the number of clients to whom social care is provided are not financially rewarded for that, as the costs are split based on other parameters, such as the number of inhabitants.

DISCUSSION AND CONCLUSIONS

This chapter discussed the way performance indicators are used by municipalities in the budgetary process of hybrids. It did so by focusing on the way Dutch municipalities use such indicators in their budgeting process as far as hybrid entities are used for the implementation of their policy. Furthermore, responding to the call of De Waele et al. (2021), we analyzed this issue from a user perspective.

Our literature review revealed that the use of performance indicators in hybrids entails several challenges. As hybrids usually have more than one stakeholder and strive to reach multiple goals simultaneously, several kinds of performance indicators may be relevant. However, these goals can be contradictory as (e.g., market-based and societal) values may differ and stakeholders have varying interests. This may incentivize hybrids not to be transparent about contested issues (see Chapter 2 in this volume). Furthermore, previous literature has indicated that the use of outcome indicators in hybrids, which may be expected given their societal focus, seems to lag behind.

By describing two cases, hereby using empirical findings of Schoute et al. (2018) and Jongedijk and Budding (2021), we explored the use of performance indicators in hybrid empirical settings. The first case focused on differences in the use of performance indicators in the budgetary process of Dutch municipalities that are related to the service-delivery mode

these entities use. This was done by analyzing the kind of performance indicators that were published in annual reports of these entities. Given their societal orientation, one would expect a relatively high use of outcome indicators for municipality-owned firms, which can be seen as hybrids. However, whereas this use is indeed higher for such organizations than for in-house delivery and inter-municipal cooperation, it is lower than for the use in private firms. Furthermore, we observed a relatively high use of both output indicators and process indicators if municipality-owned firms are hired. The latter may be explained by the wish of municipalities to have arm's-length control in case services are performed by hybrids, which indicates that in hybrid settings process indicators may be considered helpful to provide information on collaborate efforts employed to reach societal goals (Almqvist et al., 2013).

Whereas we focused on activities in the physical and operational domain in our first case, the social domain was our main point of interest in the second case. In this domain, Dutch municipalities outsource most of the activities to external parties, which generally can be seen as hybrids, given their multidimensional goals to simultaneously provide social care and to make (some) profit. Dutch law prescribes that municipalities have to match their information needs from care providers with the funding arrangements they have settled with these external parties. Interviews with controllers from Dutch municipalities showed that at first sight, there is indeed such a match, but they also revealed that in daily practice municipalities also ask for additional information, especially because they need this for acquiring insight into prospective costs and the extent to which reforms are implemented that help to reduce the financial burden. Whereas these reasons may seem to be legitimate, these practices are against current legislation. Our findings in the social domain show that a variety of factors, including financial health and performance, are relevant for considering performance indicators' use in hybrid settings and that interests of individual stakeholders play an important role (Agostino and Arnaboldi, 2017; Grossi et al., 2017; Karré, 2021).

So, in practice we found that a mix of performance indicators is used by municipalities. Even though one would expect a focus on outcome indicators, additional information about processes is still requested, most likely because municipalities want to stay in arm's-length control. Furthermore, we observed that in the social domain more information is requested from the hybrids than could be expected given the performance agreements. Municipalities seem to do so, because they want to make sure that future costs can be anticipated and controlled. Since municipalities have limited budgets, they focus on process and output indicators in addition to the outcomes that are most important for public value. This shows that motives of the users of performance indicators are a crucial part of choosing indicators.

To sum up, this chapter has shown that the use of performance indicators in the budgeting process depends on the service-delivery mode that is chosen, and that several kinds of indicators are considered relevant in hybrid settings. In such circumstances, information about the way services are provided (i.e., process indicators) plays a more important role than in other settings. Furthermore, the normative claim to use outcome indicators to a higher extent still seems to lag behind. Currently, multiple indicators are asked for by municipalities, which possibly leads to unnecessary work and information. When numerous stakeholders are involved, it can be difficult to establish what information is useful and preferable. Therefore, it is important to consider carefully the advantages and disadvantages of each performance indicator in hybrid organizations to establish what information is needed and what performance measures can be left out (cf. Johnsen, 2005). The user perspective can give valuable insights into these choices.

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9. Participatory budgeting in reshaping public budgeting: evidence from Finland,¹ Poland,² and the US

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INTRODUCTION

Societies face complex challenges, such as sustainability (cf. Purvis, Mao and Robinson, 2019), which require new kinds of collaboration between all sectors of society. The quest for ecological, social, and financial sustainability sets new requirements for governance and public financial management in local government. One of these requirements is to enhance collaborative democratic governance. In this chapter, we consider the influence of citizens as a key element of collaborative democratic governance. In particular, we discuss citizen engagement as part of social sustainability that promotes social inclusion and empowerment of people, giving a voice to them, and developing societies where institutions are accessible and accountable to citizens (Dempsey et al., 2011). In collaborative governance that recognises the value of social sustainability by inviting citizens, civil society organisations, and the private sector to participate, the responsibilities, costs, and learning can be shared to enhance the ability of governments to respond to societal challenges or changing circumstances (Webb, 2005). This entails new forms of collaboration that eventually affect and transform the current practices of public financial management. Therefore, there is a growing need to redefine and scrutinise the practices of public financial management, particularly public budgeting, from the perspective of collaborative governance.

Typically, the processes of budgeting have been firmly in the hands of civil servants and public managers in the planning and implementation phase, while politicians and local councillors have final decision-making power over the budget (Rajala and Sinervo, 2021). Therefore, citizen engagement in the decision-making of financial resources is a new mode of operations that sets new requirements for the conventional practices of budgeting. In this chapter, we illustrate how new forms of collaborative governance are created and take place in budgeting processes. Our specific attention is directed at citizens and their engagement in the budgeting process as a possible means of encouraging sustainable and democratic governance.

In addition to traditional public budgeting (Wildavsky, 1986, 1988), new arenas of budgeting have emerged. Participatory budgeting (PB) is a democratic innovation that strengthens direct citizen participation in the local decision-making of financial resources (Ebdon and Franklin, 2006). Generally, citizens are engaged in governance in multiple ways. PB is one tool that has gained global interest. PB was introduced in Porto Alegre, Brazil, in 1989, while the country transitioned from a military dictatorship towards civilian rule. PB has since been locally adopted all over the world. The idea of PB is to give people real power over real money during a democratic process. PB can be seen as a democratic innovation aiming to enhance

citizens' well-being by providing opportunities to participate in public decision-making. Since 1989, PB has spread to over 7,000 cities worldwide, and interest continues to grow. Municipalities have played a remarkable role in experimenting with and piloting PB, and it has also received attention in prior research, especially with a focus on citizens' opportunities and roles in the decision-making of financial resources (e.g. Lehtonen, 2022; Manes-Rossi et al., 2023; Sintomer, Röcke and Herzberg, 2016). Moreover, the successes of this participatory tool can be explained not only by new and innovative ways of involving citizens but also by the fact that it changes the dynamics of the traditional budget process and creates opportunities for a departure from the traditional institutional architecture (Smith, 2009).

We approach PB as a mechanism to construct new collaborative ways of governance in public budgeting and as a central tool for fostering democracy. Consequently, our aim is to study how PB expands the boundaries of public budgeting in the context of social sustainability. Theoretically, our chapter builds on the concept of collaborative governance. This mode of governance brings multiple stakeholders together in common forums with public agencies to engage in consensus-oriented decision-making (Ansell and Gash, 2008). We critically analyse the ways in which PB can build more collaborative ways of governance and budgeting. We employ empirical cases from Finland, Poland, and the US to scrutinise the collaboration in PB.

FROM TRADITIONAL PUBLIC BUDGETING TO CITIZEN ENGAGEMENT IN PUBLIC BUDGETING

Typically, public budgeting has played a notable role in public financial management, and it has become an increasingly important political medium, a tool for influencing the economy and society, and a fundamental governance and management device (Saliterer, Sicilia and Steccolini, 2018). Although budgeting is an extensively researched topic among management accounting (e.g. Anessi-Pessina et al., 2016; Covalesski et al., 2003), in the politico-administrative context it remains the key mechanism for steering, where decisions are made on the objectives and resources of the operations (Covalesski et al., 2003; Ezzamel, Keith and Stapleton, 2012; Grossi, Ho and Joyce, 2020; Libby and Lindsay, 2010). It is not only about allocating funds but also assigning objectives to managers and demonstrating accountability to citizens and other stakeholders (Schick, 2014). Budgeting is also an arena where different rationalities, logics, competencies, and professional identities interact (Mauro, Cinquini and Sinervo, 2019; Sicilia and Steccolini, 2017).

Contrary to the assumptions of the rationalist paradigm (see Gibran and Sekwat, 2009), we regard budgeting as a social process of actors with different values, motives, and identities of contemplating and communicating '[On] what basis shall it be decided to allocate x dollars to activity A instead of activity B ?', as laid down in the fundamental problem of budgeting by V.O. Key over 80 years ago (Key, 1940, p. 1138).

Traditional government budgeting, especially in a democratic system, is a political process (Rubin, 2020; Wildavsky, 1964). Resources are scarce, as demands for services generally exceed available revenues and the public's willingness to pay more taxes. Many stakeholders are affected by the budget and often have different objectives. Stakeholders include, for example, citizens, voters, businesses, non-profit organisations (NPOs), advocates/users/providers of specific public services, other governments, appointed public administrators, and elected officials. Resource scarcity sets up competition between stakeholders in the budget

process, and decisions are then made through a political process, as the various actors vie for power (Lewis and Hildreth, 2013). In this traditional process, the decision makers are the leaders of the organisation. In a democracy, these are elected officials who are directly accountable to the public. Professional public administrators also play a key role in this process, although in developing proposed budgets. Budget officials are often seen as ‘technocrats’ who are focused on making decisions in a rational manner that will maximise efficiency, and who seek budget reforms designed to increase efficiency and data-driven decisions (Rubin, 2020). This perspective contrasts with the realities of the budget process, however, in which politics often trump rationality (Wildavsky, 1964).

There are variations across countries in how traditional public budgeting is conducted. To some extent, this depends on variables such as state of development and wealth, degree of centralisation, type of government structure, and level of transparency (Menifield, 2011). For example, budgets in China have historically not been public documents, although significant budget reforms have occurred in the last few decades that have increasingly opened up the budget process (Niu, 2011). In the US, by contrast, transparency has been a cornerstone of the budgeting process, especially at the state and local levels, where budgets are debated and adopted in open meetings, proposed budgets generally must be publicly available, and key information must be published (Berner and Smith, 2004). In the European context, transparency and accountability are guiding principles of public budgeting (Anessi-Pessina et al., 2016; Saliterer et al., 2018).

Citizens generally do not play a formal role in traditional public budgeting in most countries. An exception is the US, where the public has been considered since early budget reform efforts in the early 1900s (Kahn, 1997). In most US state and local governments, public hearings are required prior to the adoption of a budget (Berner and Smith, 2004). Other mechanisms are also used in many places to obtain input from citizens, such as budget advisory committees, satisfaction surveys, or budget workshops. However, these methods are often largely formalities and tend to occur late in the budget process, which reduces their ability to affect outcomes (Ebdon and Franklin, 2006). Interest in engaging citizens more in the public budget process has increased in the last few decades and has been advocated by scholars for a variety of reasons, such as increasing transparency, accountability, and trust; building community; educating citizens; and enhancing democracy (Ebdon and Franklin, 2006). Citizen participation is not always welcomed, however. Professional public administrators who see budgets as technical and complex may resist these efforts (Thomas, 1995), and officials may have concerns that increased input reduces their power and makes budgeting more difficult (Bland and Rubin, 1997).

PB is the method of citizen engagement in the budget process that is most widely used globally. PB changes the dynamics of the traditional budget process. Citizens are not only invited to give their opinions, but they also deliberate on and decide how the funds will be allocated. In theory, this reduces the power of the public administrators and elected officials, who are ceding their authority to citizens. PB has been implemented for a variety of reasons: to enhance transparency, increase social equity, and respond to mandates from central governments or pressure from international funders, and as part of political reforms, among others (Wampler and Hartz-Karp, 2012). Wampler (2012) noted four core principles of PB: active citizen participation (voice), citizen authority (vote), resource reallocation (social justice), and enhanced transparency (oversight).

In most places, PB does not replace traditional systems. Rather, PB is generally used for only a small portion of the capital or operating budget, which is set aside for this purpose. Thus, it is a hybrid model of budgeting, where PB is a separate process from the traditional process, which continues to be used for the majority of the budget (cf. Chapter 15 in this volume). However, there is substantial variation in how PB is used, both within and across countries (which will be seen in the cases discussed later in this chapter). Although PB has primarily been used to allocate a relatively small part of the budget, it is beginning to be used more widely (e.g. for projects related to addressing climate change). In addition, the process can be more or less complicated with multiple stages and various methods of selecting participants (Rubin and Ebdon, 2020).

However, several challenges related to, for example, organisational factors or the practices of participation in PB emerged from the literature (see Bartocci et al., 2023; Lehtonen, 2022). Within the organisation of PB, leadership appears to be important in implementing and maintaining the process. Research has shown that the reluctance of public managers negatively influences factual citizen engagement in PB (Liao, 2018). The lack of open-mindedness or leadership skills in managing conflicts is distinguished as having negative effects on PB adoption (Zhang and Yang, 2009). Leadership skills are particularly crucial to the institutionalisation of PB, which can consume high amounts of time and monetary resources for participants as well as government officials. In addition to organisational factors, accessible participatory practices are crucial, as participants' characteristics and inclusion quality affect the adoption of PB. For example, particular groups of the population might be overrepresented in PB (Pape and Lim, 2019), which jeopardises the inclusivity of PB. In addition, the outcomes of PB have been mixed and are not always clear. For example, some studies have found increased social equity, whereas others have pointed to cases in which PB reinforced existing power structures and had only a cosmetic role (Baiocchi and Ganuza, 2014). The degree to which PB is a tool for empowerment appears to vary across cases and possibly over time (Bartocci et al., 2023; Rubin and Ebdon, 2020).

COLLABORATIVE GOVERNANCE AS THE THEORETICAL FRAME

During the last few decades the discourse about both government and society has evolved. So-called 'wicked problems' such as sustainability, as in environmental degradation, urban development, ageing and health security, have called into question the capacities of national and local governments (Blomgren-Bingham 2010, p. 386). Additionally, societies have become more diversified, fragmented, and multi-layered. As a response to these challenges and transformations many public administrations have shifted from traditional governing towards more participative and collaborative governance. Whereas the first pays attention to engagement, meaning direct or indirect involvement of stakeholders in decision-making about policies, plans, or programmes, the latter additionally focuses on the partners that represent diverse interests. Therefore, collaborative governance can be conceptualised as 'a form of participation in which stakeholders co-produce goals and strategies and share responsibilities and resources' (Davies and White, 2012, p. 161). Therefore, it corresponds well with the idea of PB where many stakeholders collaborate in projects' submission, implementation, and evaluation. In the next paragraphs we refer to collaborative governance in more detail.

Ansell (2012) stresses six characteristics of collaborative governance: (1) the forum is initiated by public agencies or institutions; (2) participants in the forum include nonstate actors; (3) participants engage directly in decision-making, and are not merely ‘consulted’ by public agencies; (4) the forum is formally organised and meets collectively; (5) the forum aims to make decisions by consensus (even if consensus is not achieved in practice); and (6) the focus of collaboration is on public policy or public management. Ansell and Gash (2008) included five elements for collaborative governance: critical starting conditions, facilitative leadership, institutional design, collaborative processes, and outcomes. Critical starting conditions are described by imbalances between the resources or power of different stakeholders but also include the incentives that stakeholders have to collaborate and the past history of conflict or cooperation among stakeholders. In collaborative governance, leadership facilitates empowerment, and the institutional design of the process should be built on participatory inclusiveness, forum exclusiveness, clear ground rules, and process transparency. Ansell and Gash (2008) depicted a collaborative process that consists of face-to-face dialogue, trust building, commitment, shared understanding, and intermediate outcomes.

Currently, collaborative governance can be viewed both as a management practice and as a driver of more democratic governing. According to the first understanding, this idea allows for a more cross-boundary, joined-up government (Bevir, 2011; Kettl, 2015). In light of the latter viewpoint, collaborative governance contributes to democratic reconstruction, meaning broader participation and deliberation of different stakeholders within decision- and policy-making processes (Ansell, 2012). In this context, Sørensen and Torfing (2021) underlined that collaborative governance is comprehended as a strategy for mobilising resources, creative ideas, and political support to produce public value outcomes. As with any paradigm, collaborative governance has both advantages and drawbacks (Pawłowska and Radzik-Maruszak, 2021). For example, it allows for more innovative, consensual, and dialogue-based policy-making. These, in turn, contribute to better preparation and implementation of local/national policies. In addition, collaborative governance has a significant impact on the learning process and the shaping of the horizons of individual stakeholders. It is also better equipped than traditional top-down policy-making to resolve policy conflicts and avoid policy dilemmas (Gash, 2016). In this light, collaborative governance can be viewed as a shift from traditional, hierarchical forms of governing to promoting multi-actor collaboration. Although usually led by a public sector organisation, collaborative governance is also aimed at building consensus among stakeholders on a formal set of policies designed and implemented to generate public value (Bianchi, Nasi and Rivenbark, 2021). Additionally, collaborative governance has a synergistic effect and supports community building (Lasker, Weiss and Miller, 2001), as well as the potential to increase the legitimacy of public policies (Bevir, 2011).

From the perspective of this chapter, the involvement of citizens and their role as collaborators in governance is particularly important. Their engagement is considered to have positive influences on trust in government (Cooper, Bryer and Meek, 2006; Yang, 2005), governmental legitimacy (Fung, 2006), and governmental responsiveness (Buček and Smith, 2000; Yang and Holzer, 2006). Citizen engagement also encourages open and inclusive interaction between participating actors and broadens their knowledge and expertise (e.g. Fischer, 2000). Royo, Yetano and Acerate (2014) indicated that this positive rhetoric has led to a re-emergence of ideas and values of community, localism, and citizen participation in academic and political discourse. Prior research has found that citizen engagement sets new requirements for governance, such as changes in power distribution and institutional culture and attitudes (see, for

example, Torfing, Sørensen and Røiseland, 2019). These new requirements might also call for renewal of organisational structures and allocation of organisational resources (see, for example, Fung, 2006) (e.g. financial, personnel, knowledge, and skills) (see, for example, Blomgren-Bingham, Nabatchi and O'Leary, 2005; Smith and McDonough, 2001; Yang and Pandey, 2011).

However, collaborative governance and deeper citizens' involvement bring substantial challenges. First, both require stakeholders to avoid traditional hierarchical governing and to force them to cooperate. Their collaboration should be based on negotiation, coordination, orchestration, and mutual trust. However, this can be difficult, since participants have various experiences and knowledge (Gash, 2016; see also Bidwell and Ryan, 2006). In this context, the expertise of public officials can be confronted with the practical knowledge of lay citizens. Additionally, stakeholders have varying access to different types of resources, such as time or funding (Pawłowska and Radzik-Maruszak, 2021). The research has additionally shown that participatory methods and events, for example, often fail to incorporate diverse groups of the public (Young, 2002), do not meet participants' wishes to be heard, or may even antagonise participants by pitting them against each other (Innes and Booher, 2004). This may result in a situation in which only some citizens are included in genuine decision-making. Moreover, individual stakeholders may have different expectations about the way the cooperation is structured, and its outcomes. Second, collaborative governance alters the roles of the involved actors, forcing public officials to steer rather than command citizens to actively participate and share responsibility rather than just observe and grasp the results of the governing process. Third, the diversity of participants involved in collaborative governance may increase tensions and dissatisfaction. Lastly, the effects of collaborative governance can be affected by limited resources, ambiguous legal frameworks, and inadequate training (Blomgren-Bingham, 2010, p. 399).

In this chapter, we analyse PB as a form of collaborative governance that reshapes traditional forms of public budgeting. We scrutinise collaboration in PB based on the criteria drawn from previous literature (see Table 9.1).

METHODOLOGY AND EMPIRICAL ILLUSTRATIONS FROM FINLAND, POLAND, AND THE US

We provide empirical illustrations from three cities across three countries: Lahti in Finland, Lublin in Poland, and New York City in the US. These cases, anchored in different traditions and models of local government (Kemp and Moore, 2011; Loughlin, Hendriks and Lidström, 2012), are used to examine whether PB can be regarded as a mechanism to construct new collaborative ways of governance in public budgeting. The experiences of these cities vary over different timeframes, focuses, and processes. These variations are helpful in exploring key factors that may explain the degree to which the cases exhibit the elements considered critical to collaborative governance. Lahti in Finland has been one of the forerunners of implementing participatory tools for citizen engagement but started to utilise PB relatively late in 2020. In Poland, we examine the City of Lublin, which implemented PB in 2010 as a result of a change in the city's leadership. Since then, PB has not only developed but gained new forms (e.g. Youth PB; School PB). In the US, we focus on the PB process in New York City, which has

Table 9.1 *Criteria for analysing collaboration in participatory budgeting*

Initiation of PB	• Initiators (public agencies? Politicians? Active citizens? Non-governmental organizations (NGOs)?) • Starting conditions • Societal/cultural contexts
Design of PB	• Format • Aim • Money allocation
Collaboration	• Methods • Forms of interaction • Actors • Power relations/roles
Inclusion	• Who/whose knowledge is included in the process • How is PB made accessible • Openness, transparency of PB
Access to resources	• Citizen's resources • Organisational resources
Institutionalisation	• PB's role in local governance • Changes in institutional cultures and attitudes
Outcomes and evaluation	• For citizen engagement and participatory practices • For organisation • Transformation of PB processes • Transformation of organisational structures/cultures

used PB in city council districts for more than 10 years and has recently adopted a city-wide PB process.

The data for the Lahti and Lublin cases were collected as part of independent research projects by the co-authors. The New York City case is based on secondary data (e.g. annual PB reports) and existing research studies. The next paragraphs provide an overview of the use of PB in each of the three cities. Following that, we discuss how the analytical criteria discussed above apply across these cases, and draw conclusions from the analysis.

Participatory Budgeting in Lahti, Finland

In Finland, interest in PB has steadily grown since the first experiments in local government in 2012. Nowadays, almost one-third of the 309 Finnish municipalities have tried or plan to try PB as a method for citizen engagement. One reason for the popularity of the PB in Finland can be found in the Local Government Act, which highlights that municipalities must arrange opportunities for citizens to participate in the planning of the municipality's finances (Section 22, 2015/410). Generally, it has not been typical for citizens to be engaged in the budgeting processes of Finnish municipalities. Citizen engagement has been in the form of public discussions and hearings, specific residents' panels and councils (youth/elderly/disabled people, city districts, etc.), and general citizen feedback and opinion polls. These forms have not directly influenced the decision-making of financial resources, nor have they been part of budgeting processes.

In Finland, Lahti has been one of the forerunners in implementing participatory tools in citizen engagement, although it experimented with PB for the first time relatively late, in 2020. The city conducted a PB as a city-wide process with the general goal of strengthening citizens'

participation and piloting PB for the first time. The pilot was allocated 100,000 euros from the 2020 municipal operating budget, which was the sum that citizens could budget with their ideas. Before the PB process started, Lahti City estimated that the administration and implementation of the PB process would require financial resources of 60,000 euros. However, it was a rough estimation, and in practice meant that 0.5 persons could be hired to the PB team. No specific resources for communications, technology solutions, or human resources outside the PB team, for instance, were recognised or allocated. In addition, the city council did not allocate extra resources to PB, but the resources (100,000 euros) came from the operating budget of the specific administrative service branch (participation and welfare), which meant cutbacks in other service operations of the branch.

Before the pilot, the PB process was carefully planned by a PB team of five people. In addition, voluntary PB coaches were recruited from administrative branches to support the process. Moreover, voluntary activists were invited to take part as PB guardians to spread the word and promote PB. The planning period included a citizen survey ($n = 1213$) where citizens expressed their interest in participation through PB and using online tools. It became clear that the citizens were interested in and motivated to take part in the decision-making of municipal affairs. This willingness and readiness to utilise online tools helped Lahti make the decision to implement PB during the sudden and unexpected outbreak of COVID-19.

The PB pilot in Lahti followed the typical PB process, meeting the criteria by Sintomer et al. (2016): (1) the procedure explicitly concerns financial matters, (2) participation on the level of the whole city/municipality, (3) permanent and repeated procedure, (4) public debate on budgetary issues, and (5) results are publicly reported (the so-called Porto Alegre model). In Lahti, the PB process was carefully planned to form a solid basis for permanent procedures. Although there was not an official decision made by the city council, the profound planning and motivation of the PB team in Lahti expressed a commitment to institutionalising PB procedures. PB received strong political support from the city council. The grounds for setting up PB could therefore be regarded as fruitful.

Typically, PB consists of three parts: idea creation, voting, and implementation. The PB process in Lahti included these three parts, and they were divided into six more detailed phases: (1) new edition of the PB and idea creation phase, (2) project idea pre-check and cost evaluation by city employees, (3) project idea co-creation and co-development phase with citizens and city employees, (4) the voting phase, (5) the implementation phase, and (6) the evaluation of the process for further development for upcoming rounds. The PB process started in early spring 2020, and the implementation phase took place at the end of 2020 and beginning of 2021. The process was evaluated during the first months of 2021. Since it was a question of the first city-wide PB, evaluation was seen as important to signal accountability towards citizens as well as the city council. After the PB pilot had taken place in 2020, empirical qualitative data were collected from citizens (online survey, $n = 243$). This second citizen survey was directed to all citizens of the Lahti region, not just those who had taken part in the PB pilot. However, most of the respondents were also involved in the PB process. Additionally, empirical data were collected from Lahti City employees and politicians using a similar type of online survey ($n = 39$) as for citizens. To deepen the understanding of the process, 17 individual thematic semi-structured interviews were conducted. The interviewees were civil servants working for the city of Lahti and local politicians from the city council.

The first round of the PB in Lahti could be regarded as a success based on the number of project ideas and votes. City organisations and the PB team were positively surprised with

the 713 ideas they received and the voting turnout: 3.2 per cent of citizens voted. However, it became apparent that the relatively high number of ideas meant an intensive workload in pre-checking and cost evaluation of the ideas (58 out of 713 progressed to a vote, and 10 of those ideas were then implemented). The time and human resources for this work were not adequate, especially when combined with staff layoffs due to the COVID-19 pandemic.

Although, from the citizens' perspective, the first round of PB could be regarded as a success, there were several challenges in the process. It became clear early on that political support did not materialise into managerial actions and commitments. Based on the collected data, there were various attitudes towards PB. The PB team received good feedback, but the readiness and motivation to conduct PB varied in different service branches. COVID-19 worsened the situation. Managerial support was missing, working hours for PB were not assigned, and generally PB was regarded as extra work that had to be done on top of regular duties. The allocated sum for PB received a heavy critique: it was regarded as 'too small, just pennies', but there was also the question of why money was allocated for PB while cutbacks were regularly made in city budgets. This showed that the logic of allocating resources in PB and in traditional ways clashed and created challenges in implementing PB.

Lahti illustrates a case in which citizen engagement clashes with traditional, hierarchic organisational processes and limited resources for PB in the context of a city's difficult financial situation. Citizens were ready to try PB, but the city organisation was not. Most of the challenges of PB process can be found in city organisations. What is interesting in the Lahti PB is that politicians were keen to push PB piloting, but the administration did not fully accept the idea of PB and the way it could transform the traditional processes of decision-making of financial resources and the traditional ways of engaging citizens. In particular, the top management of service branches expressed various attitudes towards PB, and a shared meaning and commitment to PB was lacking. The PB team had the difficult task of running PB without adequate support, human resources in service branches, concrete management actions, and overall commitment to the process.

Participatory Budgeting in Lublin, Poland

PB in Poland has undergone a long and interesting evolution. The country was one of the first states in the Visegrad Group to introduce PB on a larger scale (Sintomer et al., 2016). The first city to employ BP was Sopot in 2011; then, the idea was spread to other, larger urban municipalities. In 2018, PB was recognised as one of the forms of social consultation, and all cities with county rights—in practice, bigger urban municipalities—were obliged to implement it and allocate at least 0.5 per cent of their annual budgets to PB. Additionally, since PB started to be perceived as a form of consultation, the age limit has been abolished, and all inhabitants, including children, youth, and foreigners, were encouraged to take part in it.

In Lublin, preparations for the introduction of PB started in 2010 and were related to a change in leadership in the city. The new mayor noticed that the citizens were not sufficiently involved in the decision-making processes. He and his team transformed the participative framework, including the introduction of new forms of consultation, a pilot of PB, and the initiation of closer, regular cooperation with civil society activists. In 2015, city authorities organised the first regular round of PB. On the one hand, PB was seen as an important democratic tool and, on the other hand, as an instrument that supported a shift from government to governance. Since then, PB has been undertaken every year, although its principles, structure, and rules

have evolved in response to both the experience gained in each PB round and changes of law. The biggest changes so far were introduced in 2020 (Braun and Marzec-Braun, 2021).

Presently, in a similar way as in Lahti, Lublin conducted the PB cycle in six different phases: (1) information about a new edition of PB and its rules, (2) project planning and submission (both are conducted mainly by citizens and NGOs), (3) project verification conducted by city employees, (4) project voting, (5) project implementation, and (6) evaluation. Every year, the process starts in spring with the planning phase and continues with submission time in summer, and voting takes place in autumn (September/October). Projects can be submitted through an online form on the city web page (a special tool) or on paper by putting filled-in forms into a special box at the Residents Affairs Office. Every project idea must be supported by at least two persons (including the author of the idea) (Lublin City, 2022a).

In the last (2020 and 2021) editions, citizens were able to submit two categories of projects: (1) city district and (2) city-wide. The first should especially serve the residents of one district. Their value cannot exceed 350,000 PLN (around €76,000). This is the amount of money used in each district (if there are projects submitted in every district). The unused amount will return to the general category of city-wide projects. Meanwhile, city-wide projects are supposed to meet the needs of the citizens of more than one district of the city, or their implementation is not tied to a specific place. City-wide projects can be further divided into (1) non-investment projects—so-called ‘soft’ projects in which investments are not foreseen (these can be inter alia cultural, sports, or social activities, and the value of such a project cannot exceed 200,000 PLN, or around €43,000)—and (2) investment projects, or so-called ‘hard’ projects, which are not bound specifically to one district. The latter must be implemented within at least two districts of Lublin, be worth a maximum of 1.5 million PLN (€326,000), and solely involve funding for certain projects in the district. Additionally, it should be underlined that against the background of other Polish cities, Lublin decided to allocate one of the highest percentages of the city budget to PB, amounting to 1.11 per cent of total city expenses in 2019 (Braun and Marzec-Braun, 2021, pp. 29–30).

Tables 9.2 and 9.3 indicate the changes in the number of submitted projects, projects that were accepted for implementation, and changes in the voting preferences of Lublin residents.

Table 9.2 Project submission in 2015–2021 PB editions

Year of the PB edition	Number of submitted projects	Number of projects allowed to vote (% of projects submitted)	Number of projects approved for implementation
2015	333	233 (70%)	29
2016	210	155 (74%)	25
2017	171	149 (87%)	23
2018	157	118 (75%)	43
2019	223	165 (74%)	44
2020	201	142 (71%)	40
2021	156	91 (58%)	40

Source: Braun and Marzec-Braun (2021), p. 32.

Table 9.3 Voting in 2015–2021 PB editions

Year of the PB edition	Number of paper voters (percentage of the total voters)	Number of online voters (percentage of the total voters)	The sum of paper and electronic voters in a participatory budget
2015	19,843 (42%)	27,272 (58%)	47,115
2016	43,621 (64%)	24,405 (36%)	68,026
2017	55,721 (76%)	17,748 (24%)	73,469
2018	1,286 (3%)	37,386 (97%)	38,672
2019	2,596 (10%)	22,722 (90%)	25,318
2020	2,180 (8%)	23,635 (92%)	25,815
2021	1,112 (6%)	17,121 (94%)	18,233

Source: Braun and Marzec-Braun (2021), p. 32.

As PB enjoyed relatively large public interest—especially in the early years—the city authorities decided to introduce new solutions, including the so-called Green PB (GPB), Youth PB (YPB), and School PB (SPB). The first is part of the city’s budget that enables citizens to submit their own proposals regarding municipal greenery. One difference from the ‘traditional’ PB is that the projects are evaluated and selected by experts rather than through a vote. The best ideas are implemented by the City of Lublin under the supervision of the Office of the Municipal Greenery Architect. Approximately 2 million PLN (around €333,000) is spent on these projects each year. Importantly, Lublin was the first city in Poland to introduce a green budget (Lublin City, 2022b). The YPB, due to COVID-19, has so far had only one edition, in 2019. The main difference from traditional PB was that the YPB was directed at children, youth, and students and was related to the activities of the Youth City Council (YCC) and organised in cooperation with a local non-governmental organisation. The budget of the first YPB was rather low, at approximately 96,000 PLN (€22,000). Children, young people, and students from Lublin could receive financial support for the implementation of their initiatives in the following amounts: €250 for small projects, €680 for medium-sized projects, and €1,140 for large projects. In the first YPB round, 53 proposals were submitted, and after review, 33 were funded. The decision to grant funding was made by a special jury composed of one representative of the YCC, two representatives of the Lublin Team for Children and Youth, the Mayor’s Proxy for Children and Youth, and one representative of an NGO working with young people. In 2021, the city also introduced SPB. Interested schools can apply for about €1,000 euros. However, the distribution of money is in the hands of pupils who create and vote for particular projects. The whole process is supervised by teachers and city officials.

Over time, PB has changed in Poland. Initially, it was treated as a democratic innovation and became one of the regular instruments of participation for citizens. Additionally, the tool has a relatively high share of funds allocated for the implementation of tasks in total budget expenditure compared to other cities in Poland. However, the PB process was not free from controversies. One of the most important involved the rules of organising and submitting projects to the BP and the participation of children and young people in voting. In the latter case, some local politicians strongly opposed it. Furthermore, due to the division of the city council into a ruling coalition with which the initiating PB mayor was connected and the opposition, PB became a political issue. Lastly, a downward trend in terms of the number of projects submitted to the PB can be observed, and a decline in the turnout of residents voting for projects has been visible, which is especially problematic. Therefore, the Lublin case illustrates a situation in which PB gains popularity and becomes an ‘ordinary tool’ of participation. However,

city authorities constantly search for other targeted forms of PB and try to attract citizens. Currently, however, the greatest threat to PB seems to be the tensions between the national government and the local government, which results in funds being cut and financial austerity. Participation is also influenced by the COVID-19 pandemic and the influx of refugees from Ukraine, which, on the one hand, are not conducive to involving citizens more deeply and, on the other hand, force the adaptation of existing tools to the needs of new city residents.

Participatory Budgeting in New York City, US

New York City has a population of 8.4 million, the largest in the US. Baez and Hernandez (2012) argued that the use of public funds to bail out financial institutions during the Great Recession and questions about the role of government led to a grassroots effort to advocate for PB. Local civil society organisations partnered with the Participatory Budgeting Project (an organisation that promotes PB in North America) and sought support from city council members (Jabola-Carolus, 2017).

Each of the 51 city council members receives \$5 million in discretionary funds, primarily for capital spending on projects in their district; legislators typically solicit requests from non-profits, city agencies, and citizens (Shybalkina and Bifulco, 2019). In 2011, four council members adopted PB, using at least \$1 million in their discretionary funds for this purpose (Calabrese, Williams and Gupta, 2020). By fiscal year 2017, 31 districts had participated, and \$40 million was allocated. Although this is a large amount, it represents only about 7 per cent of all council member funds, and only 0.2 per cent of the city's capital budget (Shybalkina and Bifulco, 2019). District participation decreased to 27 council members in 2018 (Shybalkina, 2021) but increased to a high of 33 council members in 2019 (Williams and Waisanen, 2020). PB was suspended in 2020 because of the pandemic, but four council members used it again in a fully online process in 2021 (Sandoval, 2021).

There were five stated goals for PB in New York City: to open government, expand civic engagement, develop community leaders, build community, and increase equity in public spending. A city-wide rulebook was established for the process. Capital projects are limited to physical infrastructure, costing at least \$35,000, with a useful life of at least five years. PB funds are primarily capital, but some operating funds are used for small, one-time needs (Su, 2017). A steering committee of volunteers and civil society organisation leaders oversees the process and establishes policies. There are several phases but with significant variation across districts. The steering committee and council district committees conduct planning in the summer. Project ideas are solicited from the public in the early fall through neighbourhood meetings and online. Budget delegates, who must work, live, or study in the district, are assigned to committees by theme within each district; after being trained, they spend several months developing proposals with the city agency, council staff, and volunteers. In the spring, activities are held to advocate for specific projects. Voting then occurs online and at various sites. Voters must live in the district and be at least 14 years old (the minimum age has decreased over time); they can vote for up to five projects. Projects receiving the most votes are funded until the money runs out (Shybalkina and Bifulco, 2019; Williams and Waisanen, 2020).

A number of changes have occurred. After a new city council speaker was elected in 2014, resources were increased for staff and other assistance, which led to increased use of technology for outreach and tracking, improved training and coordination, greater ability to

encourage rule compliance, and PB institutionalisation and expansion (Jabola-Carolus, 2017). However, expansion led to less evaluation capacity, a decrease in outreach funding per district, and reduced popular control of the Steering Committee, which became more advisory than policy-making. In addition, a policy change in 2015–2016 required city agencies to only examine five proposals per district, which is challenging, as delegates may receive up to 150 ideas (Su, 2017). A ranking tool has also been developed for project evaluation based on needs, feasibility, and social equity (Kuenneke and Scutelnicu, 2021).

For the first 10 years, PB was at the discretion of each city council member, and operated separately within each district. A 2018 city charter revision created a commission to develop a city-wide PB process, which will be in addition to the council-based process (Williams and Waisanen, 2020). This Commission ran a pilot programme for youth (ages 9–24) in 2020 to allocate \$100,000 (Sandoval, 2021).

As the number of participating council districts has increased, so has voter turnout, from 6,000 in fiscal year 2012 to 99,250 in 2019 (the latter is approximately 1 per cent of the population) (Kuenneke and Scutelnicu, 2021). One study found that half of the 2014 voters had not previously worked with others on a community issue, and individuals from marginalised groups participated at a greater rate than in traditional elections (Su, 2018). Districts with more Asian Americans and mixed-race residents have a higher percentage of PB voters, but this is not the case for other minorities or women (Kuenneke and Scutelnicu, 2021). Johnson, Carlson, and Reynolds (2021) found that PB participation led to increased voting in regular elections, especially for younger, less educated, lower-income individuals, and minorities. Residents in districts using PB ‘have greater feelings of access to and voice in local government, and better understanding of the complexities of spending public monies, often leading to a more positive view of government officials, and bolstering legitimacy of local governments’ (Swaner, 2017, p. 95).

It is not clear how PB has affected the allocation of funds. Kuenneke and Scutelnicu (2021) found decreased PB funding per district over time, and fewer projects. Calabrese et al. (2020, p. 1403) found that ‘members simply allocate only a small fraction of discretionary capital spending to PB, fund more projects with smaller amounts than before, and leave overall spending categories unchanged’ and concluded that council members used PB as a form of patronage rather than an empowerment tool for citizens. Hagelskamp et al. (2020), by contrast, found increased allocations to schools, streets, and public housing, and decreased allocations to parks and recreation, housing preservation, and development. Rothbart, Schwegman, and Shybalkina (2021) found large appropriation increases in schools with PB projects but no evidence of effects on academic performance. Lastly, Shybalkina and Bifulco (2019) found that increased shares of funding within PB districts went to census tracts with the next to lowest income levels, but census tracts with the lowest income levels did not receive increased funding shares. Thus, the social equity effects of PB in New York City are unclear.

Various issues have been identified. First, the PB process operates differently across districts, such as the use of assemblies, predetermined project topics, and the participation of city employees (Williams and Waisanen, 2020). The perspectives of officials also led to variations: one district focused on cost-saving, another on project feasibility, while others were interested in sharing authority and increasing trust (Shybalkina, 2021). Second, participation barriers exist. Participation opportunities are not well advertised, and the project-vetting process is often closed to the public (Williams and Waisanen, 2020). Support services are not adequate (e.g. childcare, and translation), and voting access is a challenge (Kuenneke and Scutelnicu,

2021). Third, PB has been used as a political tool in some cases by officials and civil society organisations (Shybalkina, 2021). For example, three of the four council members who instituted an online version of PB in 2021 during the pandemic were running for a higher office (Sandoval, 2021). Fourth, a common criticism relates to city bureaucrats, who have increasingly exerted their influence, making PB more of a top-down process (Williams and Waisanen, 2020). Budget delegates find city agencies difficult to work with, with staff acting as gatekeepers or advocates for specific projects (Su, 2018; Swaner, 2017), while agencies find delegates lack technical knowledge and have unrealistic expectations (Jabola-Carolus, 2017; Su, 2018). Su (2018, p. 88S) termed the process ‘managed participation’ and noted that ‘at its extreme, this dynamic embodies almost a consumer choice model rather than a deliberative one, with representatives giving pitches for PB funds, and telling delegates exactly what projects need funding in their neighbourhoods’.

CONCLUSIONS AND DISCUSSION

In this chapter, we have investigated PB as a new form of collaborative governance that reshapes the traditional processes of public budgeting. With case examples from Finland, Poland, and the US, we have illustrated PB in the context of social sustainability. In particular, we analysed how and whether budgeting succeeded in fostering inclusive democracy in local governance. Table 9.4 summarises our findings based on the criteria identified earlier.

Table 9.4 Participatory budgeting and collaborative governance

	Lahti, Finland	Lublin, Poland	New York, US
Initiation of PB	Politicians and civil servants for stronger citizen engagement	Politicians and civil servants: shift from traditional government to more inclusive governance	Politicians and civil society organisations; response to Great Recession issues
Design of PB	Porto Alegre model; (1) PB set-up and idea creation, (2) idea pre-check and cost evaluation, (3) idea co-creation and development, (4) voting, (5) implementation, (6) evaluation No specific goals, but the aim was to pilot city-wide PB and build permanent PB Budget: 100,000 euros + 60,000 euros for administration (from operating budget) 0.83 euros/resident	Similar to Porto Alegre model; (1) information about new edition of PB and rules, (2) project planning and submission, (3) project verification by city employees, (4) voting, (5) implementation and (6) evaluation At least 0.5% of the annual budget allocated to PB Over time, new ‘types’ of PB were introduced	Individual city council districts, using discretionary funds; several phases with some variation across districts At most, about 0.2% of the total city capital budget Goals were to open government, expand civic engagement, develop leaders, build community, and increase equity in spending

	Lahti, Finland	Lublin, Poland	New York, US
Collaboration	Online idea creation and voting; one face-to-face co-creation event PB team of 5, 8 PB guardians, 4 PB coaches	Two main methods of submission and voting: (1) traditional (paper) and (2) online	Multiple methods for submitting ideas and voting Power has shifted from steering committee to city officials
Inclusion	Online execution only in Finnish Difficulties in process openness and transparency PB firmly in the hands of PB team, cross-agency missing	All residents of the city can take part (including children, youth, and foreigners) Difficulties in the process operation Tensions between residents, politicians, and citizens	Mix of online and in-person activities Transparency issues Heavy reliance on agency officials for project review
Access to resources	Those who participated had capabilities Inadequate organisational resources	Constant change of the rules High support for residents; however, still a visible drop in their interest	Organisational resources have increased over time, but fewer projects are evaluated Support services for participants inadequate
Institutionalisation	PB was a separate 'pilot project' Difficulties in cross-border cooperation Various attitudes, critical attitudes, especially in middle management Lack of commitment to PB Lack of shared meaning and importance of PB	PB is an institutionalised tool for participation Critical attitudes of local politicians	PB has expanded to most city council districts (pre-pandemic), and an additional city-wide process has been adopted
Outcomes and evaluation	Good turnout in ideas and voting; those already active participated; unsuccessful in engaging different groups; PB was a small and bounded 'pilot project', limiting possibilities to transform organisational structures; inadequate resourcing; PB was not in work plans; willingness to develop PB Shared commitment agency	Interesting idea that constantly evolves and develops New types of PB have been introduced over time 'PB tiredness' and the decline of PB voters New challenges are ahead related to (1) tension between national and local governments and changes in tax system (big cities receive less money) and (2) influx of refugees	Increase in participation over time Positive effect on voting in traditional elections for some marginalised groups Social equity effects of allocations not clear Inconsistency across districts Political agendas affect PB use and decisions

There are a number of similarities and differences across the three cases. In Lahti and New York City, PB was initiated largely by politicians, but civil servants were also involved in Lahti, while civil society organisations led efforts in New York. The design basically followed the Porto Alegre model of several phases in all three cases, although it has had different focuses; for example, in Lublin, there are different types of PB used specifically for green purposes, youth, schools, etc., while New York's PB has revolved around capital projects within individual city council districts. Collaboration was seen in all three cases throughout the process. Multiple methods are used for idea generation and voting, and citizens are involved in various leadership roles, such as PB facilitators and executors. However, tensions

and power imbalances exist across cases. Conflicts have been seen between politicians and administrators in Lahti and between the mayor and other politicians in Lublin. In New York City, decision-making and power have shifted over time away from the participants to public administrators. Collaboration is, to some degree, superficial rather than truly empowering partnerships between multiple actors.

Attempts have been made for inclusive processes, for example, by using online and in-person options for the public to express opinions and vote, but with limited success. Transparency has been an issue in Lahti and New York, while Lublin has struggled with concerns about whether children and youth should be allowed to vote in city-wide PB. Inclusion is also affected by a lack of resources. The inability to have translation services or childcare inhibits the participation of some citizens. Organisational resources are also an issue. Even where additional funding has been allocated for internal support, such as in New York, changes have resulted in less capacity to evaluate project ideas.

PB has been institutionalised to different degrees in these cases. PB is a fully institutionalised form of participation in Lublin. New York has used PB for over 10 years in an increasing number of city council districts, and a new, additional city-wide process has been adopted. PB was a pilot in Lahti, where managers lacked commitment. However, the pandemic has affected PB operations, so it is difficult to speculate on the future of PB in these cities. In Lublin, the changes in the tax system that affected the city budget, as well as the influx of Ukrainian refugees, may also play a role.

What have been the results of PB for collaborative governance? The amount of funding was relatively small in all three cases, which limited the potential impact. There is some evidence of increased participation by disadvantaged groups in New York but not in Lahti, while decreased interest and voting turnout occurred over time in Lublin. Shifts in resource allocation for social equity purposes are not clear in New York, where there has been some inconsistency in PB implementation across districts. Overall, political issues have also been key in all these cities, sometimes related to the internal and external tensions noted above, as well as elected officials using PB strategically for political gains.

In this chapter, we analysed PB as a participatory tool that seeks to expand the boundaries of public budgeting. Traditionally, public budgeting has been a rational, administration-led process in which budget officials are responsible for making decisions about the allocation of public funds (Rubin, 2020). Efficiency has been one of the guiding principles of public budgeting. As our case examples show, PB changes this situation. PB challenges the traditional power relations of budgeting. It replaces budget officials with citizens as executors of budget decisions and makes citizens accountable to themselves (cf. Schick, 2014). However, this does not happen without challenges. As the case of Lahti shows, PB was confronted with problems derived from the local organisation not being ready to transform the procedures of local decision-making. Although citizens were interested in PB, political support in the city did not materialise into commitments. The engagement of the citizens clashed with traditional, hierarchic organisational processes and limited resources for PB in the context of the city's difficult financial situation (see Chapter 4 in this volume).

When viewed from a social sustainability perspective, traditional public budgeting has not been inclusive or devoted to empowering people. However, PB as a form of sustainable, collaborative governance shares the responsibilities of budgeting (cf. Webb, 2005); it broadens the responsibilities of allocating funds from local governments towards citizens and associations (and the private sector), hence making the setting of budgeting priorities more inclusive

and horizontal. Although PB has been criticised for not being able to attract a broad spectrum of the public to participate, the experiences of the New York City case show some evidence of PB succeeding in engaging disadvantaged groups. However, our cases demonstrate the difficulties of maintaining people's interest, as in Lublin, where the participation rate in PB has been decreasing.

There are several lessons for practitioners who are considering implementing PB. Based on our case examples, we see the challenges of moving from the traditional public budgeting process to PB's collaborative governance approach. Our cases all illustrate the tensions between expert public administrators and citizens making budget allocation decisions. These issues are difficult to resolve, and raise questions about the extent to which PB can be considered truly collaborative. PB process designs should carefully address the responsibilities and relationships between these stakeholders. In addition, the role of politics cannot be ignored. Each of these cases demonstrates the importance of support for PB from elected officials and the political benefits that they can derive from it. Finally, our findings highlight that adequate resources are needed for PB. This process takes time, and requires effort to develop and analyse potential projects, and a great deal of outreach to obtain and maintain participation.

Our study also raises questions for scholars. We wonder whether PB is actually about 'budgeting' at all. The amount of funds allocated to PB is generally a small portion of the budget. The focus of PB is often more on engagement and deliberation, particularly with disadvantaged populations, than on financial decisions. We also suggest additional research on the sustainability of PB. In our cases, as with other studies, we see that some communities use PB for only a short time, while others institutionalise it but with significant changes and adaptation over time. What distinguishes those who sustain the practice, and to what extent do the changes enhance the collaborative nature of PB? Our goal was to explore how PB expands the boundaries of public budgeting in the context of social sustainability and as a form of collaborative governance. Through these three comparative cases of PB in cities in three different countries, we conclude that PB can enhance social sustainability in a variety of ways, such as by focusing on specific goals, topic areas, or groups. Truly achieving collaborative governance through PB is more challenging due to the inherent political and administrative structure of government and the long-held values of bureaucratic expertise and efficiency. Finally, we posit that PB may not expand the boundaries of public budgeting as long as it remains a distinct deliberation process with little relationship to budgeting.

NOTES

1. The part of the chapter on Finland presents the partial results of the 'EmPaci' Empowering PB in the Baltic Sea Region project funded by EU Interreg BSR.
2. The part of the chapter on Poland presents the partial results of project No. 2021/41/B/HS5/02899 funded by the National Science Centre Poland.

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10. Digitalisation and citizen engagement: comparing participatory budgeting in Rome and Barcelona

Giorgia Mattei, Valentina Santolamazza and Martina Manzo

INTRODUCTION

In recent years, political instability and government scandals have provoked deep citizens' distrust in political mechanisms (Welch, Hinnant and Moon, 2005) and, consequently, spread a strong disenchantment and scepticism about social and political life (Swaner, 2017). Public administration has introduced several measures to tackle this problem and promote citizen participation in policy choices, including the participatory budget (Mattei, Santolamazza and Grandis, 2022; Papadopoulos and Warin, 2007). While participatory budgeting (PB) is not univocally defined, it will be treated as a specific budgeting process in which citizens are involved in the decision-making process to allocate some public resources (Sintomer et al., 2013).

PB can be designed in various ways following different government strategies (Sintomer et al., 2013). One issue that could affect PB's success is citizen engagement (Bartocci, Grossi and Mauro, 2019; Cabannes, 2004). Participatory governance (PG) principles (Fung and Wright, 2003) suggest facilitating popular deliberative decision-making, building it on discussions and debates. However, improving citizens' engagement in the decision-making process depends on several factors; among them, digitalisation could be one of the most relevant. PG is just one facet of the public governance concept (Fung and Wright, 2003), in which citizen participation is particularly emphasised. However, following the approach of Grossi and Argento (2022) by analysing other faces of public governance, it is possible to find citizen engagement as a relevant aspect in other facets. Precisely, digital governance consists of using different forms of information and communication technologies (ICT) to improve efficiency, transparency and effectiveness in government, accountability and engagement (Dunleavy et al., 2006).

Therefore, reflecting on what literature suggests about PB (Bartocci et al., 2022) and the possible existing interactions between PG and digital governance (Grossi and Argento, 2022), some questions might arise: could digitalisation be an element that enhances citizens' engagement? Furthermore, what are the possible risks related to PB digitalisation?

Considering what has happened over the last twenty years, it is possible to observe that ICT tools enhance opportunities for people to carry out any activity, making each task easier and faster (Agostino, Saliterer and Steccolini, 2022; Knudsen, 2020). This process also impacts the public sector, albeit more slowly than in the private sector (Agostino et al., 2022; Knudsen, 2020). This topic is becoming more critical, as demonstrated by the emphasis on digitalisation in the temporary recovery instrument called NextGenerationEU¹ (De la Porte and Jensen, 2021).

In this panorama, it is evident that digitalising PB could support the creation of digital democracy, considered as the widening of the participants' audience in the decision-making process through digital tools (Scholl, 2014), thanks to a deeper and faster information flow, enabling the composition of new networks. Moreover, it enhances online participation pushing people to use technology (Foth and Brynskov, 2016; OECD, 2003; Stortone and De Cindio, 2015).

Nowadays, several PB initiatives are provided with digital tools and online spaces to structure information and guarantee transparency, openness, and clarity in public policy implementation (Royo, Yetano and García-Lacalle, 2019). Therefore, it is clear how digitalisation can better involve citizens in PB (Mattei et al., 2022; Zhao, Xu and Li, 2016). Specifically, as previously asserted (Stortone and De Cindio, 2015, p. 179), the 'internet appears to enable a certain kind of participation that can find an institutional way into the PB'. However, digitalisation's impact on this process is still a trending topic, as besides bringing clear advantages, digital tools can also create new problems (e.g. the well-known digital inequalities; see Norris, 2001; Ragnedda and Muschert, 2013; Warschauer, 2004). Consequently, the complexity of this situation has led researchers to have disharmonious opinions concerning digitisation in the so-called e-participatory budget (Levenda et al., 2020; Sampaio and Peixoto, 2014).

In light of this, the research aims to investigate when digitalisation fosters citizen engagement and how this may change PB. This is done by answering the following research questions:

RQ1: What technological solutions are applied within existing PB initiatives?

RQ2: What are the strengths and weaknesses of digitalising the PB, and how can the latter be managed?

Thus, analysing the reality of two of the largest European cities becomes interesting to reveal the strengths and limitations of the existing PB digitalisation.

This chapter aims to contribute to the PB literature, bringing out what could be the advantages but also the disadvantages related to digitalisation, and looking for suitable solutions to ensure that digital tools are enablers of citizen engagement and not just another public administration fashion.

The chapter begins with a presentation of PB as an innovative process to recreate trust and increase participation among citizens and between citizens and their governments. Then, PB digitalisation is described, considering all advantages and benefits and all difficulties, disadvantages and problems, starting from the digital inequalities. The third section is dedicated to the research design, methodology and data collection methods, whereas the fourth presents the two selected cases, namely Rome and Barcelona. The empirical analysis focuses on how these two cities have faced and managed the challenges of implementing e-participatory budgeting (e-PB). Finally, the cases are discussed (in the fifth section), and the conclusions are presented.

LITERATURE REVIEW

Citizens' Engagement in the Budgeting Process

PB has been an innovation in the budgeting processes, allowing the population to participate actively in resource allocation (Bartocci et al., 2019). It was first developed in Porto Alegre in 1989 (Sintomer et al., 2013). Even if this first case was related to a left-wing view, it has

spread worldwide over the year, becoming apolitical (Sampaio and Peixoto, 2014) and assuming different formats (Sintomer et al., 2013).

The diffusion of this process has particularly intensified in recent years. This can also be attributed to the reforms that have punctuated the public sector, in which we can see the transition from New Public Management (NPM), which is more focused on concepts of effectiveness and efficiency, to New Public Governance (NPG), where the role of citizens has been strongly revalued (Osborne, 2006). In NPG, a plurality of actors is called to increase public service delivery jointly, and in this network, public administrations must coordinate these interactions (Sønderskov, Rønning and Magnussen, 2021). In this light, since policy formulation and public service delivery have to be set through more cooperation, negotiation and the active participation of relevant stakeholders, the necessity to improve citizens' involvement in decision-making has arisen (Osborne, 2006; Wiesel and Modell, 2014). This facet of public governance is what is referred to as PG, which focuses specifically on the involvement of citizens in the decision-making processes (Fung and Wright, 2003).

Despite spreading worldwide, there is no precise PB definition. Instead, it is defined by non-lacking characteristics. Therefore, PB could be designed in different ways, depending on the degree of the citizens' engagement in the process, how participation can be fostered and how digital tools are used to enable citizens' empowerment (see Chapter 9 in this volume; Kersting et al., 2016; Rios and Rios Insua, 2008; Sintomer et al., 2013). In this light, the research is focused on a comparative case study, aiming at investigating how cities have digitalised PB, highlighting digitalisation benefits and adverse effects within two cases.

Analysing the existing literature (Aleksandrov, Bourmistrov and Grossi, 2018; Allegretti and Antunes, 2014; Bassoli, 2012; Ebdon and Franklin, 2006; Mattei et al., 2022; Sintomer et al., 2013; Stortone and De Cindio, 2015; Verweij et al., 2013), it is possible to identify the following phases, as Figure 10.1 demonstrates.

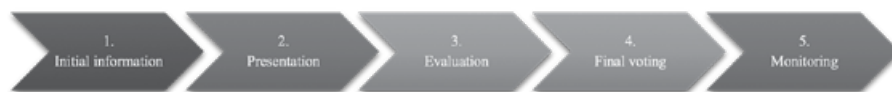


Figure 10.1 Participatory budget's steps

The first step is the initial information, a PB preliminary phase, in which citizens are made aware that they can take part and informed about the entire process, the topics to be discussed and how to make proposals (Sintomer et al., 2013). People's greater or lesser involvement will depend on how they get in touch with this initiative. Hence, the information must be comprehensible and accessible to all participants (Aleksandrov et al., 2018).

The second step consists of the presentation, generally accompanied by the first discussions and debates between citizens (Sintomer et al., 2013). It is relevant since citizens are called to present their projects, thus obtaining the power to influence decision-making (Verweij et al., 2013). Many cities provide gathering spaces where people can discuss any virtual support mechanisms for the presented projects similar to those used in social networks. In some cities, part of the projects is also the result of co-designed work which allows citizens to directly interact with the local government, hence improving the relationship with institutions (Mattei et al., 2022).

After presenting the proposals, the third step is the evaluation. This step will allow the local governments to present a list of projects that citizens will vote for (Allegretti and Antunes, 2014). The main activity consists of evaluating the projects' economic, technical and administrative feasibility. However, the citizens' participation may still be present since some of them (usually the 'proposers') are called to co-evaluate the proposals to improve the transparency of the decisions (Stortone and De Cindio, 2015). This collaborative assessment is also helpful in creating awareness among citizens about their choices and how the budget is implemented.

The fourth step consists of the final voting, allowing citizens to express preferences and directly influence resource allocation (Ebdon and Franklin, 2006). Several mechanisms involve people, such as focus groups with a limited number of citizens' delegates for open voting, where all residents or city users are affected (Mattei et al., 2022). The right to vote is usually given to people aged 18 and over, but it can be extended to younger people (Bassoli, 2012).

The last PB phase is the monitoring, usually online (Allegretti and Antunes, 2014). Sometimes, a final report is presented in a public meeting involving all citizens (Sintomer et al., 2013). The citizens' engagement in this phase is related to the willingness to make people aware of the outcomes to obtain legitimacy.

The process represented in Figure 10.1 is used as a framework for the case studies analysis in the following work, highlighting how digital tools can be integrated into these phases.

Digitalisation and its Impact on PB

Digital tools have been applied to every human task, thereby making life easier, faster and more effective. The public sector has not been excluded from this wave, and many technologies, such as social media, algorithms and artificial intelligence (AI) (Agostino et al., 2022; Knudsen, 2020), have been applied to perform a significant change to increase public sector performances (Greve, 2015).

While, initially, the use of technology was seen only as a means of achieving greater efficiency, effectiveness and economy (the three 'Es', which underpin management's choices in the NPM paradigm), it has also been considered as an instrument to enhance public engagement, citizens' empowerment and interaction, in conformity with NPG's emerged vision (Dunleavy et al., 2006). As asserted (Grossi and Argento, 2022), digital governance is a facet of public governance with a specific focus on using ICT tools to improve efficiency, transparency and effectiveness in government, accountability and engagement (Dunleavy et al., 2006). In this view, digitalisation also enhances the impact of the entire population on the policies (Stortone and De Cindio, 2015). In fact, without focusing on how digitalisation could positively impact efficiency and effectiveness, but looking in more depth, it is possible to find a part of the literature that is more related to the broad concept of e-governance. In this concept, digital tools are seen as enablers to create a dynamic process involving many actors (Larsson and Grönlund, 2014), being in line with the NPG paradigm (Osborne, 2006; Wiesel and Modell, 2014). In this view, digital tools are seen as supportive instruments for governance that, in the public sector, refers to the ability to manage relationships between mutually dependent actors in complex policy issues (Almqvist et al., 2013; Koppenjan and Klijn, 2004). As affirmed by the literature (OECD, 2003), the introduction of ICT tools to citizens could have several benefits: (i) helping promote participation to a broad audience; (ii) facilitating accessibility to relevant information, and (iii) higher citizens' engagement in the deliberative

process. In this view, digitalisation could be seen as an instrument to restore the relationship with the citizenry, increasing transparency and accountability (McGinley and Nakata, 2015).

Since governments are trying to include more stakeholders in the decision-making process, co-production, co-decision and co-design processes are widely spreading (Scupola and Mergel, 2021). In all these processes, the ICT tools may enhance the government's capability to anticipate citizens' needs and perceptions (Grossi et al., 2021). One process that could combine the necessity to involve citizens with this innovative approach is the PB, especially when it integrates a digital part (Bertone, De Cindio and Stortone, 2015). Even if the value of digitalisation regarding PB may differ (Allegretti, 2012), it is now interesting to focus on the beneficial effects of this process.

Analysing the existing literature on digitalisation, it is confirmed that digital tools, which are also quite innovative (i.e. blockchain) (Rien Agustin and Susilowati, 2019), may facilitate several aspects of PB, such as, (i) identifying people who have the right to vote (Ramírez and Tejada, 2019), (ii) engaging them in debates (Mendieta and Alonso, 2017; Royo et al., 2019) and (iii) allowing them to vote (Vydra and Klievink, 2019). However, as with any innovation, PB digitalisation can have some limitations. Some scholars find that digitalising the decision-making process could reveal some negative aspects (Vydra and Klievink, 2019). One of the main disadvantages of making PB completely digital is the discrimination deriving from the use of technologies by members of the population who do not know how to use them or cannot access them (Schou and Pors, 2019). These elements, called 'digital inequalities', could limit the use of technologies at the maximum efficiency level, as they do not allow their full potential to be exploited (Norris, 2001; Ragnedda and Muschert, 2013; Warschauer, 2004). To prevent such digital division, it is possible to envisage a hybrid PB allowing offline participation (see Chapter 15 in this volume; Stortone and De Cindio, 2015).

When setting up an e-PB, it is crucial not to simply duplicate non-digital processes in a digital format. Instead, one should consider the unique aspects and advantages of the digital medium (Foth and Brynskov, 2016). This happens mainly when the local authorities do not include this process within a broader public digitalisation strategy. PB digitalisation generally has a more significant effect if it can create a genuine public sphere, fostering discussion and collaboration among participants (Sønderskov et al., 2021). Figure 10.2 represents how digitalisation may affect each PB stage, as identified in the framework illustrated in Figure 10.1.

Starting from the initial information phase is of fundamental importance since access to information is an essential precondition for citizens' engagement in decision-making processes (Caddy and Vergez, 2001). Contrary to what can happen in small towns, general offline information cannot be made available in larger cities, as it would be unsustainable from an economic and time perspective (Stortone and De Cindio, 2015). Therefore, creating a web page dedicated to PB is a prerequisite for good information about the process. In addition, other information is spread through electronic newsletters and announcements on popular blogs and city-run websites (Sampaio and Peixoto, 2014). Furthermore, some 'user-friendly' instruments could be implemented, such as a bar indicating the ongoing phase, a countdown illustrating the time left until the end of the current stage, and some banners providing further details and links on different steps (Stortone and De Cindio, 2014). In some cases, face-to-face meetings are broadcast online, allowing interested parties to be informed (Cunha, Allegretti and Matias, 2011).

Regarding the presentation, the citizens are usually asked to propose projects related to issues predefined by the community or municipalities (Stortone and De Cindio, 2015). Also,

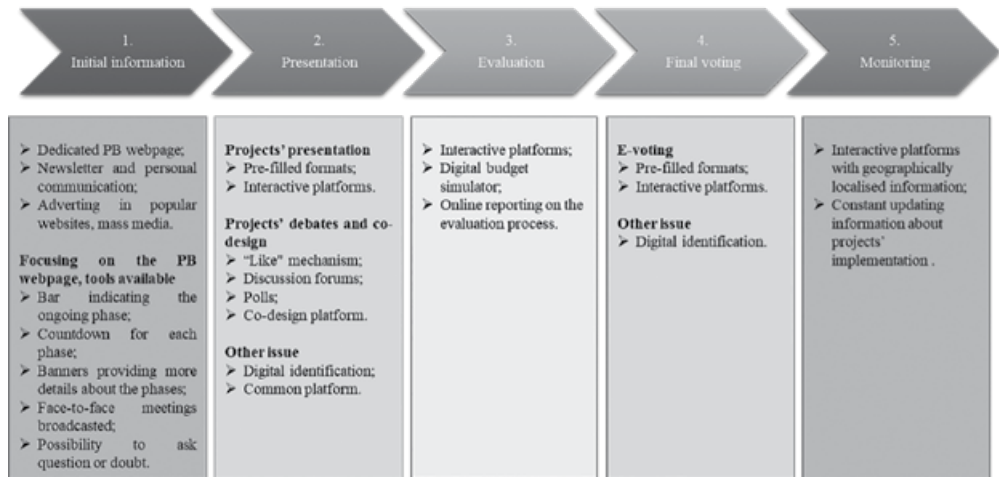


Figure 10.2 Digital tools adopted in each PB phase

in this phase, digitalisation support may facilitate citizens' participation. Submissions can be delivered in pre-filled formats or interactive platforms that allow citizens to present and support ideas and proposals, prioritise issues, and gather consensus and legitimacy (Mærøe et al., 2021). This support and discussion mechanism can occur through the simple 'like' system or thanks to more interactive tools, such as discussion forums, polls and co-design platforms (Sampaio and Peixoto, 2014; Winkler, 2007). Therefore, digitalising this step aims to reach the most significant number of people to produce more interactions (Vydra and Klievink, 2019) and, meanwhile, to create a real new public sphere through functions that enable discussion and debate (Sæbø, Rose and Flak, 2008; Sampaio and Peixoto, 2014). To this end, it is essential to create a virtual space where each participant can be identified and has his/her profile to participate in the discussion (Sønderskov et al., 2021). It has become necessary, especially in the last PB experiments, to avoid bringing into discussion 'fake' projects, namely those that were not supported by real people (Sampaio and Peixoto, 2014) or those backed by individuals without the voting requirements. Voter identification is not simple, considering that no single database exists (Sampaio and Peixoto, 2014). Therefore, interlinking the PB platform with some digital identification systems managed at the municipal or state level is essential (De Cindio, 2012). Another problem could be the data owner, since the platform where the process takes place could be held by actors interested in manipulating decisions, leading to opportunistic attitudes and distortions in decision-making (Mann et al., 2020). Therefore, there is an increasing push towards platforms that empower digital sovereignty (Bria, 2019).

Considering the evaluation phase, it is usually less participative than the other phases since it is the most technical step of the entire process (Mattei et al., 2022). However, digital tools may still support citizen engagement. For example, in some cases this phase is accompanied by a digital budget simulator, allowing citizens to assess the impact of their choices (Sampaio and Peixoto, 2014).

The fourth step of PB is the final voting phase, in which citizens (or a group of their delegates) are called to prioritise the projects considered 'feasible'. Among the various e-PB forms, the most common use of digital tools within the PB processes involves the possibility

of online voting (Sampaio and Peixoto, 2014). The introduction of the e-voting method brings people reluctant to participate closer to this process (Spada et al., 2016). Also, in this phase it is necessary to provide an adequate identification system to ensure that the people who vote have the right to do so (Sampaio and Peixoto, 2014).

Finally, the last stage consists of the monitoring phase. Several studies (Sampaio and Peixoto, 2014; Sousa et al., 2019; Stortone and De Cindio, 2014) have described how implementing an adequate platform may be indispensable to enable citizens to follow the realisation of the voted projects. It creates trust in citizens, who see the execution of what they have defined as a priority (Coleman and Blumler, 2009; Mærøe et al., 2021). For monitoring, a user-friendly interface is often developed and based on geo-referencing (Sampaio and Peixoto, 2014). Furthermore, the presence of a platform allows the administration to periodically update work-progress information, thus proving that the commitment made to the citizens is being respected, in addition to the allowance for reporting and explaining any eventual delays (Sampaio and Peixoto, 2014; Stortone and De Cindio, 2014).

Analysing the above clarifies that PB digitalisation is not an automatic process that leads to better citizen engagement without disadvantages and possible criticisms. Therefore, it becomes interesting to analyse which strategies can be adopted to not transform e-PB into a simple smokescreen that reduces deliberation and social relations among citizens, fostering individualistic behaviour (Allegretti, 2012) and reducing participation to tokenism (Levenda et al., 2020). Moreover, it is of considerable interest to analyse in detail, comparing different realities, how PB is included in the digitalisation process of complex cities and to identify whether and how these problems are surmounted.

METHODOLOGY

Given its context-sensitivity (Welch et al., 2020), a qualitative approach is used to conduct the study, including analysing laws, decrees, regulations and websites (Eisenhardt, 1989). Specifically, this chapter is based on an exploratory multiple case study (Yin, 1984), which has considered two significant realities of the European context: Rome and Barcelona.

Exploratory research can investigate something new self-reflexively, providing innovative methods to analyse reality (Reiter, 2017). Since the present work wants to explore how digitalisation is manifested in PB, the research is carried out through a case study analysis (Yin, 1984), a method used mainly in international business as it contributes to further theory building (Eisenhardt and Bourgeois, 1988; Runfola et al., 2017). In particular, the research develops a comparative case study analysis (Eisenhardt, 1989), which outlines the similarities between how PB is accomplished in the two municipalities and the discordant aspects. This research method is not generally used in the PB literature (Bartocci et al., 2022), making this study quite relevant.

Rome and Barcelona have chosen because they are very similar in many elements. Firstly, their PB experiences have been placed in the same period, between 2019 and 2020. It is relevant since the PB adoption is not simply an end in itself but an isolated choice for both cities that is integrated over the previous few years into the more comprehensive digitalisation processes. This is decisive in having a more significant impact on citizen participation since the institutionalisation of a participatory process usually brings more results than a simple extemporaneous implementation (Stortone and De Cindio, 2015).

Both cities, considered from the organisation and governance viewpoint, are organised on central and peripheral levels and have some districts. At the central level, they have a city council, headed by the mayor, responsible for managing the municipal government and administration. In line with the city council, an executive body is responsible for implementing municipal government and city council initiatives. After this, there is the peripheral level. Rome is divided into fifteen districts, whereas Barcelona has ten. This choice has been made to decentralise the administration and provide greater local attention to residents, trying to be closer to the citizens' needs. Each district is represented by its own district council, headed by a president.

In addition, it is possible to observe that both cities incorporate in their regulations the presence of measures in compliance with the national legal requirements, which demand the implementation of participatory processes without any deeper description. Among other law provisions, participatory processes and PB have been established by Citizen Participation Regulations approved on October 6, 2017, in Barcelona and by the Regulation of the Participatory Budget approved on April 4, 2019, in Rome. Therefore, despite the soft requirements at the national level, both cities demonstrate a specific interest in this theme.

Another similarity concerns the political forces that had power during the digital transition. Both cities have been guided by political parties being considered innovative forces whose success is grounded in the strategic use of the internet, increasing the interaction between politicians and citizens.

Therefore, the two cities are exposed to the same stimuli regarding legal requirements, governance mechanisms, self-regulation, and political ideologies and forces. Hence, it is significant to compare these realities and their actions.

The data is collected from multiple sources to add rigour, depth and reliability to this inquiry (Flick, 2018). Specifically, the study involves primary and secondary data (Hox and Boeijs, 2005). First, documentation on the PB official web pages, namely Decidim.Barcelona and the official Rome website, is consulted. In addition, technical and official reports and some other PB-related documents in these areas are referenced. Websites are also studied in the analysis, especially to investigate digital tools. Secondly, data was also retrieved by looking at research studies that have analysed the same case studies selected (Bria, 2019; Mattei, Grossi and Santolamazza, 2021; Morozov and Bria, 2018; Pirlo and Marzano, 2014).

ANALYSIS OF THE CASE STUDIES

Background: Digital Strategies in the Selected Municipalities

The following paragraphs analyse these two cities' digitalisation process, focusing on the steps and the objectives outlined in the digital schedule, defining objectives, macro-areas of intervention and specific actions.

Digital Agenda of Rome

Rome is divided into several districts with limited autonomy and an internal organisation (Mattei et al., 2021). To face this complexity, it is necessary to resort to digital solutions, which can help manage public life, fostering faster processes and more innovative services

(Stortone and De Cindio, 2015). The fundamental steps to implement the digitalisation process have been:

- In 2017, the definition of the digital agenda, a strategic plan for digital transition containing the policy planning documents for the period 2016–2021.
- In 2018, the design and development of the ‘Roma Capitale’ website, including the implementation of the ‘Partecipa’ area.

The Digital Agenda is organised into five Strategic Objectives (SOs). The first (SO1) ensures transparency and accessibility, allowing citizens to know, monitor and evaluate the government’s actions, a precondition for citizens’ participation and active collaboration. SO2 plans to expand the range of digital public services to citizens and businesses. Furthermore, SO3 proposes improving the processes’ effectiveness and efficiency within the administration, while SO4 aims to create social growth conditions by spreading a digital culture. Finally, SO5 highlights the role of Roman websites as a laboratory of innovation. These objectives are pursued through macro-areas of intervention, whose achievement level is verified annually: open government, digital skills, digital services and infrastructure for connectivity.

Focusing on SO1, it is pursued by implementing more open government solutions and digital services. The open government area involves anti-corruption and administration-transparency interventions, the available data’s usability for creating services for citizens and regulating the participation of stakeholders in decision-making processes. Open government measures can create a discontinuity from the citizens’ inertia (Pirlo and Marzano, 2014), increasing public disclosure and generating trust. By facilitating contact with a large segment of the population, digital transformation can offer many solutions to foster citizens’ participation.

This commitment is realised through a specific platform, which collects links to public consultations promoted by public administrations, allowing citizens to find the most interesting consultations. In addition, the administration uses a digital platform called Partecipa, which will enable citizens to consider municipal decisions and actively participate.

Barcelona Digital City Plan

Barcelona chose to embark on a digital transformation process using the Barcelona Digital City Plan (BDCP), a government measure approved in October 2016, in accordance with the new Spanish Law 39/2015, which stated that by 2020 digital public services should be mainly provided digitally. Barcelona has some territorial and political characteristics that make it as challenging to govern as Rome, such as the high number of citizens and its district organisation. The steps representing the digitalisation progress and the digital democracy project are the elaboration of the BDCP and the creation of a digital participatory platform (Decidim. Barcelona), where citizens can discuss participatory processes promoted by the city council or propose new projects (Bria, 2019).

There are three main groups concerning the BDCP objectives: the public administration, companies and individual citizens. The first objective is to create a more open and efficient government using technologies that can generate innovation. The second is developing a digital socio-economic community to help build an innovative ecosystem. Finally, the BDCP aims to increase citizens’ participation and influence in public management. In this view, digital tools could empower citizens, creating a whole open ecosystem of services and applications based on a participatory innovation model (Morozov and Bria, 2018). The more comprehensive project consists of realising smart cities, creating new models of digital democracy and revi-

talising the generation of digital natives who have lost faith in the traditional political system by initiating a digitisation mechanism that strongly affects citizens' engagement (Bria, 2019).

Participatory Budgeting Peculiarities

The following paragraphs describe PB experiences in Roma and Barcelona, which were included in the broader digital transformation process.

Rome's participatory budget

The participatory budget in 2019 is the first official experience of its kind in Rome. It is preceded by a 2018 edition limited to one district, which tested the regulations, the design of the process and the citizens' participation mechanisms. The PB is developed based on the pervasive use of digital tools. Indeed, this process cannot be considered stand-alone but must always be related to the Roman digital strategy. Therefore, the broad utilisation of digital tools has characterised each step.

Considering the initial information step, the principal information hub is the institutional portal, constantly updated on the home page and in the special section dedicated to PB. All relevant phases have occurred in this space, and all the documentation and preparatory acts are available. Therefore, the platform used to inform people and participate is directly linked to the Roman website and managed by the Digital Transformation department. In addition to this primary method, other information activities are carried out, both online and in person: direct and personalised mail to almost 500,000 users already registered on the institutional portal, and information being communicated through social and mass media (radio and TV) and stands around the city. Specifically, the municipality's social media, such as Facebook and Twitter, have been intensely exploited, especially in sharing all the information and process updates, posted with the hashtag #RomaDecide.

The digital tools strongly support the presentation phase. In particular, the projects can be presented by identified people on the digital platform created within the institutional website. Citizens' identification with one of the categories entitled to participate (residents or city users older than 16) is verified through automatic comparison with the electoral roll, for residents, and by filling in a self-declaration for city users, with provision for sample controls. People can support other projects on the same platform with a 'like' mechanism, which is typical for social media. However, there is no space for debate and co-design online, leaving it to the various districts and in-person meetings to discuss and co-create. Only 193 projects that received a pre-established amount of support were allowed to the subsequent evaluation stage, with all projects resulting from proposed focus groups by the district councils (40).

The digital impact on the evaluation phase is relatively limited, although it is also relevant. Being one of the most technical and challenging phases in Roman PB, it is reserved only for technicians who can assess the feasibility of projects. However, digitalisation makes it possible to report and guarantee proper transparency and accountability, detailing the necessary information directly provided to citizens through the platform.

Considering the final voting phase, 111 projects are admitted to this stage. This phase is entirely held online, and thus in-person voting is not allowed. Each eligible citizen is allowed to express up to three preferences. This phase is supported by a boost to the communication campaign through the same channels used in the previous stage. Each project's number of votes is visible online, whereas voters' anonymity is respected. In particular, Rome uses a

‘rank and select’ method, which ranks the proposals according to their gathered support and then selects the top-ranked proposals until no budget is left for the next ones. Overall, the proposals collected 36,128 votes from almost 17,000 voters; 65 works were selected for funding.

Finally, regarding the last phase, the monitoring stage, it is essential to highlight that Rome publishes a summary document report on each stage of the project initiative, including participation data, graphs and other helpful information on the conduct of the whole process. In addition, all this is uploaded on the municipality’s website for citizens to follow the projects’ implementation step by step. Rome has created an information page for each project to show the actual execution phase in simple graphics. In addition, each project was supported with photos, attached documents, progress notes, objectives and expected results, and other helpful monitoring information.

Barcelona’s participatory budget

Barcelona’s first participatory budget was implemented in 2020. It allows Barcelona residents to present, define, prioritise, vote on and ultimately choose investment projects that the city council would execute in each district. At the bottom of the PB is the digital democracy platform Decidim.Barcelona, where all stages occur. The platform was born to allow citizens to share different opinions, discuss common concerns and agree on an intervention that could significantly change their lives. Its mission is to support, open, and broaden participation and democracy in Barcelona by advancing towards a greater capacity for collaboration between the city council and giving citizens greater freedom in decision-making. Decidim.Barcelona is based on open-source software and a modular architecture based on open standards, which allows the city council to implement large-scale participatory processes around city policies. According to EMPACI (2021), Decidim.Barcelona has turned out to be the most complete platform for PB implementation. Nevertheless, participation is also achieved through offline, face-to-face discussion spaces, which must be open to all stakeholders and ensure full accessibility and equal participation. Lastly, for Barcelona, all the information and updates have been shared through social media using the hashtag #PressupostosParticipatiuBCN.

Later, the presentation stage of projects is carried out through meetings involving specialised personnel, the political team and citizens, and after that, proposals are collected. Citizens can promote a participatory process at the request of the city council or a district citizens’ council, or through a citizens’ initiative. The administration can also convene a participation process. The persons, entities and organisations promoting the participatory process form a driving group, which is responsible for the process’s organisation, defining the participants’ profile and the methodology to use.

Once proposals are submitted, they must pass a technical assessment in the evaluation phase, where their feasibility is validated. In addition, a political assessment is also carried out to determine whether the projects align with the priorities of the government’s strategy. Moreover, face-to-face meetings with citizens are organised, where the suitability of the proposals is discussed, and further contributions or new suggestions (that can also be expressed through the online platform) are incorporated to refine the previous ones. After the evaluation phase, 184 proposals were admitted for voting.

After that, citizens could express their opinion in the final voting and choose which investment projects Barcelona City Council would finally execute between 2021–2023. The proposals vote is accessible to eligible registered citizens in Barcelona aged over 14. In addition, their full name, identity document, date of birth, postal code and district must be verified

Table 10.1 Comparison between Rome and Barcelona PB phases

	Initial information	Presentation	Evaluation	Final voting	Monitoring
Rome	The projects are promoted through the institutional webpage, personalised mail, social and mass media (radio and TV) and stands around the city.	The process mainly takes part through a special section of the institutional website. It is based on a 'like' system, where citizens cannot present any suggestions about the proposals.	Public technicians evaluate proposals through offline meetings, with results published on the website.	Voting is entirely online through the website, but assistance is offered in face-to-face points. Voters can be residents and city users older than 16, and their anonymity is assured. Projects are selected through the 'rank and select' method.	The votes obtained by each project are kept visible online. Citizens can follow the projects' implementation step by step through the website. Results are announced online, and a summary document is published.
Barcelona	The projects are promoted through the Decidim.Barcelona platform. Signs with a QR code are installed in the streets.	It mainly takes place in the online platform Decidim.Barcelona. Citizens can discuss and argue the proposals.	A public technicians' group and citizens evaluate proposals through offline meetings, and more suggestions are gathered online.	Voting is entirely online through Decidim.Barcelona, but assistance is offered in face-to-face points. Voters can be over 14 and registered in Barcelona. The vote is anonymous. Projects are selected through the 'rank and select' method.	The number of votes obtained by each project is not kept visible online. Citizens can follow the projects' implementation step by step through the website. Results are announced through Decidim.Barcelona.

with the municipal registrar. Voters who satisfy these criteria can vote directly through the Decidim.Barcelona app from any device (computer, phone, tablet). Paper voting is not an option, but citizens who need support to use the platform can find a helpful team in designated face-to-face voting points. The team will guide the participant through the voting process.

Voting is segmented into four steps. Firstly, citizens have to indicate a district. Then, they can vote on the specified investment projects in two districts: their district and a chosen one. Secondly, people must choose the most suitable project. The voting mechanism is comparable to online shopping, whereby citizens with a predefined budget place their favourite proposals in a shopping cart, which they can continue to fill until the funding is exhausted. Later, they are asked to confirm their identity. Indeed, voting requires a double-verification system: checking the municipal registry office and sending an SMS code to their cell phone, ensuring secrecy and anonymity. Lastly, citizens must select and confirm their selection. After the voting deadline, all proposals are vetted. Barcelona, like Rome, uses the same selection methodology. In 2020, the final voting led to 30 million euros being devolved to implement 76 projects around the city's districts.

Finally, as regards the monitoring phase, results must be announced and explained in detail through municipal communication and participation channels, namely the Decidim.Barcelona platform. At this point, the selected projects' implementation will be discussed with the specialised municipality team and evaluated through either online questionnaires or working

sessions or offline workshops involving the policy team and citizens, which could also monitor how the project implementation was carried out in real time.

The main PB characteristics of both cities are summarised in Table 10.1 in accordance with the phases identified in the literature (Figure 10.1).

DISCUSSION

With the aim of discussing how digitalisation has impacted PB, some considerations based on the findings obtained are included in the following.

As Table 10.1 suggests, both cities prefer online communication through digital platforms that guarantee immediate and transparent initial information. Citizens can access new projects and topics through laptops or smart devices, surfing on Rome's website or Barcelona's specific platform. Offline communication of decisions to every citizen would not be a sustainable choice in large cities such as the selected ones, as it would have a significant impact in economic, environmental and time terms.

The platforms mentioned above are also the main tool for the presentation of the projects. However, there is a considerable difference between the two selected cities. While Rome's website supports a process through a 'like' mechanism, Barcelona has a more interactive platform, creating the opportunity for debate. Both cities provide the entire list of proposals, allowing citizens to search and filter the results based on their interests.

Regarding the evaluation phase, the use of digital tools is limited in both cities, leading to citizens' low participation in this step. This is also because this phase is typically the most technical, and the public are usually uninvolved. However, e-PB could allow some interactions. For example, the Decidim.Barcelona platform enables people to comment not only on each submitted and published proposal but also in a general forum for discussion on a broader perspective, generating a mutual climate of trust (De Cindio, 2012). Therefore, Barcelona seems to allow greater participation by exploiting each tool on its platform (EMPACI, 2021).

Considering the inhabitants' high number, final voting is realised through the digital platform. However, both cities try not to exclude digitally illiterate people from voting, by directly assisting those who need it face-to-face.

Finally, for both cities, the monitoring is based on digital tools. In fact, the digital platform still represents the most accurate and comprehensive way of providing citizens with information to monitor projects' implementation.

Comparing the beneficial effects of digitalisation, it is possible to underline the advantages of digitalisation in the two selected cases, summarised in Table 10.2.

The first element that could be mentioned is the involvement of a wider audience. Thanks to digital tools, both cities have attracted more people in the process, resulting in more online than physical participation. Regarding the accessibility to information, both cities provide online and offline information. However, some differences arise in the usability of the platform/website. The Partecipa area of Rome's website is not user-friendly, and for this reason, access to information was not always easy. In this context, it is also possible to mention the use of social media, which is relevant to involve more people and give them accessible information.

Considering the citizens' consultation, it is possible to see that digital tools have improved local governments' ability to hear the citizens' opinions, even with different degrees of

Table 10.2 Advantages of digital tools in PB

	Involving a wider audience	Accessibility to information	Online Consultation	Facilitating the analysis of contributions	Providing relevant feedback – accountability
Rome	As also described in the final reporting document, citizen participation is mainly assessed based on online intervention at one or more stages of the process. In this sense, online participation plays an essential role in the process.	Information is provided in both ways (online and offline). The online information is supported by digital widgets, which made the information more understandable. However, access to information in the participating area is still not very smooth due to the difficulty of using the Partecipa area. Much information is shared via social media.	The citizens' opinion is considered thanks to a support system based on 'likes'.	Proposals are presented with all the documents to support the evaluation. However, no digital tools are used to interact with citizens, who are excluded from the feasibility evaluation.	Feedback related to each phase is reported on the municipal website. The ' <i>documento della partecipazione</i> ', a document summarising the PB experience, is also shared.
Barcelona	The Decidim platform is used for several processes in Barcelona. However, since the beginning of PB, the number of users has grown considerably, a sign that this digital system has supported citizens' engagement.	Information is provided in both ways (online and offline). The online information is supported by digital widgets, which makes the information more understandable and user-friendly. Much information is shared via social media.	The citizens' opinion is considered thanks to a support system based on 'likes'. However, a more detailed and specified opinion could be considered thanks to the platform discussions.	Proposals are presented with all the documents to support the evaluation. Individualised online meetings are held to specify the investment projects and the projects being worked on by citizens and the municipal staff within the project's scope. Technical visions are shared online with the public, with detailed information about each project resulting from this phase.	Feedback related to each phase is reported on the municipal website. Feedback from the audience is collected throughout the entire process in the comments and suggestions areas.

engagement in both cities. However, it is also possible to see that Decidim in Barcelona allows citizens to define their ideas better, allowing them to comment and discuss projects online. Relating to facilitating the analysis of contributions, digital tools are beneficial in the evaluation since, thanks to both platforms, the evaluation committee had all the documents available. In addition, digital tools in Barcelona have also been used to engage people in feasibility evaluation, allowing them to share more information and their ideas, and establishing an adversarial process aimed at co-evaluating.

Finally, digital tools allow local governments to share information more transparently regarding accountability. Looking at the type of relationship, it is possible to see that digital tools enhance one-way communication in Rome. In contrast, they provide two-way communication in Barcelona, allowing the possibility for citizens to provide feedback. Furthermore, the research wants to investigate whether and how these cities face the risks of adopting digital solutions, which previously emerged from the literature review. These risks are mainly listed among (i) digital inequalities (Norris, 2001; Ragnedda and Muschert, 2013; Warschauer, 2004) due to the level of income, age, ethnicity, localisation and disability (Schou and Pors, 2019), and the consequent need for user-friendly tools to decrease these phenomena; (ii) the possibility that the platform's ownership leads to opportunistic attitudes and distortions in the decision-making process; (iii) the absence of a practical discussion and debates among citizens; and (iv) the identification of those who have the right to vote.

The comparison between the adopted solutions is described in Table 10.3.

Table 10.3 Comparison between Rome and Barcelona's responses to digitalisation challenges

	Digital inequalities	Platform's ownership	Discussion and citizens' engagement	Identification
Rome	It provides a hybrid PB format, aiming at not excluding those who cannot access it digitally. Therefore, some live solutions exist even if most of the process is settled online.	PB is directly set up on a section of the official website.	Projects are promoted with a 'like' mechanism, without online discussion. The primary debates and discussions still take place during live events.	For residents, automatic comparison with the electoral roll; for city users, in the absence of an official list, it is done through a self-declaration and subsequent control.
Barcelona	There has been widespread use of social networks.	PB uses an external platform.	Projects are widely discussed online since the platform allows a comprehensive debate and not a mere supporting system.	A double-verification system for all with a non-automatic check of the municipal registry office and control through an SMS code is introduced.

Firstly, even if PB is almost totally based on digital tools and processes, both municipalities adopt a mixed approach, providing face-to-face alternatives. These can support those citizens who cannot tap into the devices or capacities essential and functional for the process. For instance, both Rome and Barcelona have established support points in the city districts where citizens could gather information about the presented projects and directly support the selection process. Furthermore, even if paper voting is impossible, people can be assisted through a digital poll. This has been done to provide solutions that could eliminate, or at least limit, the digital division, with the awareness that ICT tools must be considered a resource for the PB and not the whole process aim. Finally, both cities post relevant information and updates on social media.

However, looking at digital devices used to carry out the entire process, there is a substantial difference in the digital platform used by the two municipalities. Indeed, while Rome sets the whole mechanism on a particular section of its municipal website, Barcelona prefers to use an external platform, Decidim.Barcelona. As stated in the literature, this decision is based on solving a critical issue: the possibility that the platform's management and the information

could lead to opportunistic attitudes and distortions in the decision-making process (Mann et al., 2020). Consequently, open-source platforms not built by the municipality can reduce conflicts of interest, fostering digital sovereignty (Bria, 2019). Furthermore, the decision to rely on an external party to provide the platform can also be strategic, as it allows one to not have to bear the costs of development but to rely on more experienced third parties that work in this field. Finally, comparing Decidim.Barcelona with other platforms, it is also the most complete, with many tools and opportunities for each step (EMPACI, 2021).

Even though the two processes seem to have been set up in a very similar way and have also adopted comparable solutions to counter some of the problems related to digitalisation, there are substantial differences that make the Roman process less capable of involving citizens in a deliberative process. Referring to the principles of PG (Fung and Wright, 2003), a key aspect is creating a process in which citizens are involved in the discussion and actively participate in it. This happens in Barcelona, which gives citizens ample opportunity to express themselves at different budget stages. This is not the case in Rome, where the digital interaction when supporting proposals is like a social network's (the 'like' mechanism). Although this system can attract feedback more quickly, as it is straightforward (Van der Does and Bos, 2021), it does not engage citizens who cannot express their views fully. The presence of a space for discussion and comments can foster a constructive dialogue between participants. Allowing citizens to make comments, ask questions and propose changes before projects are actually voted on is an essential step towards the realisation of a digital democracy that does not remain confined to a mechanism of proposal and approval but rather is based on a solid and constructive debate (Sæbø et al., 2008; Sampaio and Peixoto, 2014).

Finally, adopting a digital control system to verify the requirements of those entitled to vote also helps streamline procedures. Nevertheless, this phase is still critical for both cities due to the difficulty in creating a database containing all the identification data thanks to the vast requirements for admission to the process. Creating an integrated database could be performed through a more pervasive digitalisation of the 'city users' data.

CONCLUSION

In response to the recent mistrust citizens have had towards political parties (Welch et al., 2005) and the loss of interest in public life (Swaner, 2017), several ways have been tried to increase active citizens' participation in the choices concerning their civic reality. Among these, the participatory budget, in its various configurations, represents an important tool to stimulate new confidence between citizens and public administration (Mattei et al., 2022; Papadopoulos and Warin, 2007). Moreover, in some municipalities, the implementation of this participatory tool coincided with the beginning of a broader digitalisation program aimed at creating new public space to debate and favour dialogue between citizens and the public administration (Stortone and De Cindio, 2015).

This also confirms the idea that emerged from the literature (Bartocci et al., 2022) about the necessity to integrate PB into broader reforms that could be both participative and digital.

At first sight, integrating digital tools in PB seems helpful to obtain better results: a wider audience, a deeper engagement and greater accountability. However, the two cases also demonstrated that digital tools are not a panacea for all problems but that even these, as tools supporting citizens' engagement, must be addressed and shaped according to the principles of

PG (Fung and Wright, 2003). Therefore, in PB digitalisation, it is also necessary to keep in mind the priorities to be realised, to use digital tools as a means, not as an end.

In conclusion, this chapter provides the information to answer the research questions. Addressing RQ1, this chapter illustrates, through a literature review and looking at two real cases, a group of digital tools that could support citizens' engagement (digital platforms, e-voting, forums, digital discussion areas, etc.). The chapter also provides suggestions about how to combine digital tools. Regarding RQ2, in both case studies digital tools bring some benefits, such as widening the participants' audience. In Barcelona, ICT tools create a discussion arena, increase accountability to citizens and improve access to information. In Rome, things were less evident because Rome's platform was less engaging and user-friendly. Looking at disadvantages of digitalising PB, the main problem found in Rome is related to a total absence of debates and citizens' involvement, reducing digital participation to tokenism (Levenda et al., 2020). In this way, Rome partially fails to create an integration between participatory and digital governance. Therefore, these case studies show that differences in exploiting digital tools could arise, leading to a greater or lower level of engagement. Both cities faced digitalisation challenges, but the results differed depending on the intended citizen involvement.

Looking at the theoretical implications, this study sought to analyse the interaction between digitisation and citizens' engagement, or, in other words, between digital and participatory governance. Specifically, this chapter provides two examples of PB adoption that differently integrate these two sides of public governance (Grossi and Argento, 2022). Future studies could try to pinpoint what values underlie these two facets of public governance and how these values can influence PB. Regarding the practical implications, the research highlights two different case studies where advanced digital tools are being used to foster participation and collaboration with citizens. In this light, the selected cases can be used as 'benchmarks' for participatory reforms.

NOTE

1. More information can be found by visiting https://europa.eu/next-generation-eu/index_en.

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PART IV

PERFORMANCE MEASUREMENT IN HYBRIDISED PUBLIC GOVERNANCE: THEORY AND PRACTICE

11. Horizontal performance in the case of network governance: management by objectives and school performance

Åge Johnsen and Paul Brakstad Waters

INTRODUCTION

This chapter¹ discusses performance management in a multi-level school governance system and whether management by objectives (MBO) improves school performance. Performance management has been a core component in many public sector reforms (Hood, 1995). These reforms have been aimed at transforming often traditional, bureaucratic, and professional public organizations and institutions to adapt to changing environments and improve performance (OECD, 1988). Such performance management systems have been termed ‘performance regimes’ because they are complex and operate at several levels (Martin et al., 2016). The performance regimes are nested within public service reform strategies at the highest level, consist of improvement regimes at the intermediate level using various policy instruments, and measure and assess specific organizations such as local authorities or schools at the lowest level. The concept of performance regimes is interesting as a descriptive framework, but says little about the impact of performance management, which is a crucial question for public administration and public policy. This chapter therefore analyses the determinants for and impacts of performance management within one such performance regime, performance management in schools.

Despite widespread adoption in many countries and across different tiers of government, the determinants as well as effects of performance management in the public sector are not fully understood (Kroll, 2015a). Howlett (2011, p. 144), for example, stated: ‘Specific instruments choices are embedded decisions, existing within a nested, multi-level environment of governance modes, policy regime logics and tool calibrations, and [are] heavily context laden.’ Regarding performance management in particular, Kroll (2015b, p. 8) interestingly stated: ‘Although there is a vast literature on output and outcome-oriented reforms and the adoption of performance management systems, we know surprisingly little about their actual effects.’ He recommended, among other suggestions, pursuing more studies on contingency factors, and found that performance management seemed to be most effective when the public organization had chosen a strategy for making changes, for example improving performance.

Some countries have, in addition to participating in international performance measurement systems (PMS) such as the Organisation for Economic Co-operation and Development’s Programme for International Student Assessment (PISA) system, also implemented national policies including standardized national tests. Some countries have in addition implemented or at least facilitated performance management in local governments and schools, for example by introducing management training programmes for head teachers. Studies from the New York City school system show that internal management and performance management

matter. Setting challenging but feasible goals, building trust through credible commitments, encouraging employee participation, and providing feedback on results matter for delivering educational outcomes, as perceived by the subordinates themselves (Favero, Meier and O'Toole, 2016). Public schools in New York City using performance management had better outcomes than other schools in terms of both level and gain in educational outcomes measured as standardized test scores (Sun and Van Ryzin, 2014). If performance management in schooling improves performance in some places, then it is interesting to study how, why, and where such systems work to be able to learn and possibly improve performance in other places.

Management matters, but contexts matter too. Internal management typically associated with public management such as human resource management, and external management directed at interacting with outside individuals and organizations in public schools, had positive impacts on student performance in Texas but nearly no impact on student performance in Denmark (Meier et al., 2015a). Teachers' goal commitment had, nevertheless, a positive but small effect on teachers' task performance in public schools in Denmark, and managers should therefore cultivate employee commitment to organizational goals (Pedersen, 2016). The political and management contexts, and possibly also the practice of performance management, may differ between Nordic and Anglo-American countries (Johnsen and Vakkuri, 2006), but also between the Nordic countries.

There is still little systematic knowledge on how performance management affects school performance in the Nordic countries outside Denmark. Finland has an educational system with a strong teaching profession and little emphasis on performance management in schools but has consistently scored high in the PISA tests (Dixon et al., 2013). The Swedish government (centre-right until 2014) chose user choice and free schools as one important tool. Swedish educational performance has nevertheless varied in recent years as measured by PISA. Denmark has implemented New Public Management (NPM) reforms, including performance management in schools (Hansen, 2011), but has not gained much impact from using performance management in its traditional corporatist system (Andersen, 2008) or compared to private schools (Hvidman and Andersen, 2014) or compared to schools in a more managerialist and adversarial system in Texas (Meier et al., 2015a).

Performance management in schools is interesting also in a network, multi-level governance and hybridization perspective (Bache and Flinders, 2004; Johanson and Vakkuri, 2017). School performance is often measured at the organizational level (individual school or aggregate municipal school performance). School performance is, however, the result of a complex, multi-level governance structure in many countries. Typically, school authorities at the national level, typically a ministry of education, are responsible for developing public policy regarding schooling. Such policy development also takes place within a framework of international co-operation, with PISA being a prominent example. Sometimes, such public policies regulate school activities at a very detailed level. Moreover, education is a profession. Therefore, teachers' labour unions and other interest organizations participate extensively in policy formulation and public discourses. Finally, at the local level, municipalities are often formal school owners and are responsible for the implementation of the policies and for using performance management, subject to extensive regulation, oversight, and participation from employees, unions, and parents. The option of private schools (termed 'public schools' in the UK) in some countries adds to the complexity of this multi-level, network governance, making the school system a hybrid system that involves hierarchy, network, and market mechanisms (cf. Chapter 14 in this volume).

It is, therefore, interesting to ask whether performance management and management by objectives in such a complex system have an impact on school performance in the Nordic countries and how multi-level, stakeholder governance affects school performance. The overall research question is: how does multi-level performance management affect performance in municipal schools?

There are notable differences in public administration and the school systems in the Nordic countries. For example: Denmark and Norway had lower rankings in PISA in 2000 than Finland and Sweden (Johnsen, 2012) and have since introduced more performance management in the schools. Denmark had little NPM reforms in schools until the late 2000s, but later reforms introducing more competition and funding per pupil increased the use of management tools in the schools (Hansen, 2011). Finland has a strong teacher profession and is known for high educational performance in international performance rankings even without resorting to much performance management in schools (Dixon et al., 2013). Among the Nordic countries Sweden has introduced user choice and competition between schools the most. This chapter focuses on municipal primary and lower secondary schools in Norway.

PERFORMANCE MANAGEMENT IN SCHOOLS

Evidence-based school policy has been a contested issue for some time (Hanushek, 1986, 2003; Pfeffer and Sutton, 2006). Teachers' quality and parents' educational background are now known to be important determinants for school performance (Hattie, 2009). There are meta-analyses documenting the positive effects of management by objectives in the public sector (Rodgers and Hunter, 1992). A new meta-analysis found a small positive effect of performance-based management on public sector organizations' performance, and a larger effect of best practices from high-quality studies (Gerrish, 2016). There are also recent studies not included in the latest meta-analysis documenting positive effects of performance management in schools (Favero et al., 2016; Sun and Van Ryzin, 2014). However, many of the studies from the USA are based on data from schools in Texas (Meier and O'Toole, 2001, 2002), and even though Sun and Van Ryzin (2014) and Favero et al. (2016) studied data from New York there is still a need for more studies from different countries and contexts. Friestad (2016) analysed the educational performance of 5th grade pupils in public primary and combined (primary and lower secondary) schools in Norway in 2012 and how head teachers/local school management used the national tests in the proceeding school year of 2013. The national tests were strongly resisted when they were implemented in 2004. The study showed that the majority of the schools' management now discussed the test results with some or all employees, and that poor results in the national tests had consequences for the teaching of the pupils at other grade levels. At present there is therefore no systematic documentation of the impact of performance management on performance in the Norwegian school system.

Performance management can largely be divided into three subgroups of models, and these are monitoring, ranking, and benchmarking, and management by objectives models (Hood, 2007). In practice many would use a mix of two or all three models in a system. For example, the Norwegian educational authorities use national tests as a monitoring and benchmarking system and PISA as a ranking and benchmarking system. Local education authorities in the municipalities often use national tests, and sometimes (as in Oslo) also local tests for monitoring, ranking, and benchmarking, and could also use management by objectives at both the

municipal and individual school level. It could, therefore, be difficult to discern and isolate the effects of the individual subgroups of performance management models in practice. Moreover, despite allegedly being much used, there is still confusion as to what management by objectives is or could be.

Using Drucker's (1954) original conception, management by objectives is a system for self-control that is intended for achieving excellent performance by highly motivated staff. Drucker explained management by objectives as managing by formulating objectives in a participative manner, and with an emphasis on measuring, monitoring, and following up results. The system is explicitly stated to be not for hierarchical control of subordinates (Drucker, 1976). Today, many management models would in practice be variants of Drucker's conception, including the balanced scorecard (Kaplan and Norton, 1996).

Management by objectives and self-control consists of three elements (Drucker, 1954): the formulation of objectives, participation in the measurement and management processes by staff and managers, and the measurement and following up of results. First, the formulation of objectives is not merely a statement of all the purposes or tasks of the enterprise but is careful prioritization of important changes to take place based on previous analysis of results and challenges. Second, participation means that because there is bounded rationality (and asymmetric information) there is a need for utilizing different skills and competencies in measuring performance, assessing needs for change, and formulating important objectives, the management process should involve knowledge from staff as well as top management. In schooling, being a system of co-production, the formal school owner should secure the active participation of the schools' management and especially the head teacher, the teachers, and both students and parents. Third, both the formulation of objectives and participation should be subjugated to a focus on results. To manage performance, the performance must be measured, if and when feasible. This performance measurement should inform the process of formulating objectives in a participative manner.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Figure 11.1 visualizes our conceptual framework. The implicit assumption in performance management is that performance management improves performance. Therefore, if performance management improves performance, then schools that use performance management should have good or improved performance. Some research indicates that managerial use of performance management is positively related to organizational performance and effectiveness (Gerrish, 2016), also in schools (Han and Moynihan, 2022; Sun and Van Ryzin, 2014). However, this relationship may be affected by cognitive, social, and political factors.

First, people's rationality is bounded (Simon, 1947/1997). They have a constrained time and attention span. If there are strong professional norms regulating teaching already present, people such as head teachers and teaching staff may hesitate to take new or alternative models into use that introduce new norms (Weick, 1976). For example: while the new education policy emphasizing more performance management, decentralization, and accountability was approved with cross-party support by Parliament in 2009, four years later many municipalities had only partly implemented the reform. Moreover, conventional wisdom states that public sector employees will resist reforms that aim at improving productivity. Albeit lacking a direct empirical test for such a proposition, Bonesrønning (2013) found that school leaders

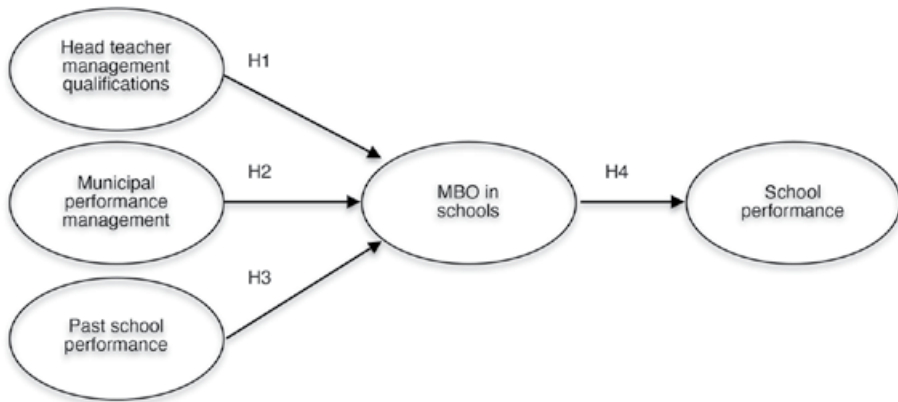


Figure 11.1 Conceptual framework

in municipalities with a large share of public sector employees held more negative views on the reform than in other municipalities. This could indicate ‘regulatory capture’, he argued, indicating that school leaders sympathized more with teachers in such contexts than with policy. Hence, resistance towards change may be easier in some contexts than in others, and management commitment for implementing educational reforms may also be context dependent. In response to slow implementation of more performance management in the schools, the executive agency for the Ministry of Education, the Norwegian Directorate for Education and Training, initiated a head teacher management programme in 2009 with an emphasis on improving management practice (Caspersen, Federici and Røsdal, 2017). The City of Oslo already had a head teacher management programme in place at that time. Our first hypothesis is therefore a relationship between a head teacher management programme and management practices.

H1 Schools with head teachers who have management qualifications have high levels of management by objectives.

Second, people often do as others do. If one’s own behaviour is different from peers this could cause discomfort, a cognitive dissonance (Festinger, 1954). To close the gap that gives rise to this discomfort, one would have to change attitudes or behaviour (or conceptions of other’s behaviour). Therefore, if there is no culture for performance management in surrounding schools or in the municipality in question, it is unlikely that a given school would use performance management. For example: Julnes and Holzer (2001) argued that the utilization of performance measurement information is a process in which at least two stages can be identified: design of the system and the development of measures (which they labelled ‘adoption’) and actual use of the system (which they labelled ‘implementation’). The formulation of a new educational policy including the design of a new performance management system may be conceptualized as the design stage, while the process whereby municipalities actually implement and utilize the new system may be conceptualized as the use stage. By recognizing these stages Julnes and Holzer (2001) were able to isolate the effects of factors presumed to affect utilization. Internal interest groups, such as top-management commitment, were important for design (adoption), while external interest groups, such as unions and the public, were impor-

tant for use (implementation). Wang and Berman (2001), based on a national survey of counties, found that legislative and citizen support, the active involvement of central management, and mission orientation furthered the deployment of performance measurement. Even though they found that professional competence and adequate resources were associated with performance measurement, gaining external support and top-management commitment were more important. Therefore, our second hypothesis posits a relationship between top-management support via municipal-level performance management and use of management by objectives in the schools.

H2 Schools with high levels of municipal performance management have high levels of management by objectives.

Third, people may know of better practices and performance to emulate in public management, but nevertheless not act upon this knowledge. To act one needs both a motive (improve performance) and an opportunity (Hood, 1995). Poor performance often gets much attention in public policy (negativity-bias), which may alter behaviour and public policy, which ultimately may improve performance (Johnsen, 2012). Norway, alongside some other European countries such as Germany, experienced a PISA shock in 2002 (Dixon et al., 2013; Grek, 2009). PISA shocks, for example, may give both motives and opportunities for making changes in practices by implementing management reforms at the national level, but this does not explain how organizations use performance information. Moynihan (2005) used case evidence from state governments for illustrating single- and double-loop learning and the importance of two frequently neglected aspects of organizational learning for improving performance. Organizations need learning forums where performance information is deliberately examined, as well as routines. The municipalities' performance management routines could provide such learning forums for the schools. Learning forums may be good opportunities for practising performance management (Kroll, 2015a), but without 'external shocks', such as shortfall of resources or poor past performance (Nicholson-Crotty, Nicholson-Crotty and Fernandez, 2017), schools may have little motivation to practice management models that many regard as alien to traditional educational practices. Our third hypothesis therefore formulates a relationship between past performance and the practice of management by objectives in the schools.

H3 Schools with past poor performance have high levels of management by objectives.

Therefore, even though performance management normally could improve performance, several cognitive, social, and political factors may have to be present for performance management to be taken into use. Such factors could for example be educational programmes for head teachers (Meier and O'Toole, 2002), performance management among peers or superiors (Meier and O'Toole, 2001), and an understanding of crisis or urgency (Hood, 1995) such as poor performance (Johnsen, 2012). Finally, our fourth hypothesis formulates a positive relationship between the practice of managing by objectives in schools and educational performance.

H4 Schools with much management by objectives have high educational performance.

METHODS AND DATA

This chapter analyses how the school administration uses performance management and whether management by objectives has an impact on school performance. We selected a correlation design for this study but with time ordering of the variables conforming to the hypothesized causal relationships in the hypotheses to document discernible relationships between the adoption of management by objectives and school performance. Our study, given the present limited knowledge of how performance measurements affect school performance in Norway, therefore emphasises internal validity (probing a relationship between performance management and school performance) more than external validity (generalizability of results to the population of all Norwegian municipalities).

Population and Sample

To explore a relationship between management by objectives and school performance we chose a stratification strategy for the sampling. We selected ‘middle schools’ (years 8 to 10 of compulsory schooling) with low and high school performance, measured by national test scores. The population consisted of *c.* 3,000 schools in 430 municipalities in 2011. A previous study of school performance in Norway (Bonesrønning, Iversen and Pettersen, 2011) found that the implementation of performance management increased with municipal size. Small municipalities would therefore have relatively little experience with performance management. Small municipalities would also have small sample sizes of schools, would also likely experience more variation and randomness in data in any one year compared to data from large municipalities, and due to the need for anonymity would not have available published performance data when the number of pupils in the school was very low. We therefore chose to study only schools from the 198 municipalities with 5,000 or more inhabitants.

We decided the targeted sample as follows. The 198 municipalities with 5,000 or more inhabitants were divided into three groups by size. The small-sized municipality group consisted of 147 municipalities with 5,000 to 20,000 inhabitants. The medium-sized group consisted of 38 municipalities from 20,000 to 50,000 inhabitants. The large-sized group consisted of 13 municipalities with 50,000 and more inhabitants. In both the small- and medium-sized municipalities, we selected the 10 worst-performing and the 10 best-performing municipalities measured as average municipal test scores in reading and maths in 9th grade on the national test in autumn 2012. In the large-sized municipalities group we selected all the 13 municipalities in this group. These 53 municipalities gave a targeted sample of 295 schools. The final, usable sample (the responding schools to our survey) consisted of 150 schools from 17 of the 19 counties in Norway, resulting in a response rate of 50.8 per cent of the 295 schools in the targeted sample.

The mean score in the national tests in reading and maths for the 9th grade in 2012 for all schools with available data in the population ($n = 914$) was 3.43 with a standard deviation of 0.30. Our targeted and usable sample had a higher mean score on these tests, mean 3.49 ($n = 295$) and 3.53 ($n = 150$) respectively, especially for the usable sample. There was therefore a tendency that some of the lowest-performing schools in the targeted sample did not respond. There were only small differences in the distribution of properties of other main variables between the targeted and usable sample such as school size, teacher density, operating expenses per pupil, and ratio of teaching hours with qualified teachers. There were, however,

many more schools in the larger municipalities than in the smaller municipalities. For example, the two biggest municipalities, Bergen and Oslo, had 26 and 48 schools in the targeted sample with 14 and 30 responding, respectively. The schools in Oslo also had a higher response rate (62.5 per cent) than the schools in the other municipalities, increasing the bias in the usable sample of relatively many schools from large municipalities compared to the targeted sample.

Data and Measurement of Variables

Our conceptual model is a path model and several of our variables were measured with several indicators. We therefore chose to conduct the analysis with partial least square path modelling (PLS-PM). PLS-PM is especially useful for explorative analysis and is also applicable for small samples (Benitez et al., 2020; Henseler, 2021). We used Jamovi version 2.2.5 for the initial exploratory analysis of the data. We used ADANCO version 2.3.1 for the final partial least squares path modelling (PLS-PM) analysis.

We measured *school performance* as a latent variable composed of the scores for reading, numeracy, and English for the 8th grade in the national tests. We collected secondary data from the national tests in reading, maths (numeracy), and English for the 8th grade for the years 2008, 2009, 2011, 2012, 2014, and 2015. (We used the national test scores for 8th grade in 2009 because there was no national test for 9th grade in 2008 and there was no national test in English for 9th grade in 2012.) Using archival data rather than data from a survey of the head teachers for measuring school performance avoids the problem of potential biased, systematically overestimated performance measures (Meier et al., 2015b). The national tests take place in autumn each year. The reliability scores for this variable were very high in the range of 0.92–0.94 for the years measured. See Table 11.1.

We sent a web-based survey to all head teachers in lower secondary schools and combined schools (primary and lower secondary schools) in all the selected municipalities to measure the independent variables for performance management, management education, and management experience. The survey had questions on performance management as well as data on the head teachers' demographic and educational background. The survey specified the time period to be studied to be the school year of 2011–2012. The survey used a five-point Likert scale for ordinal measures (1 = not at all, 5 = to a large extent).

We wanted to study the impact of the head teachers' *management education* and *management experience* and asked if they had education in school management or had finished the head teacher programme or finished other management education. We also asked how many years they had been head teachers, both at the present school and in total. Sun and Van Ryzin (2014) argued that the management qualifications and experience of school leaders, for which they did not have data for measuring in their analysis, might be associated with school performance independently of performance management practices. This competence may have an independent effect on performance, as they argued, but may also have an impact on school performance through better knowledge of and competence in using performance management, depending on the type of qualification and experience from, for example, tailored head teacher programmes.

Performance management in the municipality was measured as a scale with three items from the survey. We replicated three questions used previously by Bonesrønning et al. (2011). These questions probed the usage of contracts between the head teacher and the municipality with goals for the school's development, systematic evaluations of the school's management,

and using pupils' test results in the management dialogue between the municipality and the head teacher. The reliability scores of 0.82–0.83 were good.

We measured *management by objectives* in the schools with 11 items in the survey, specifically whether the schools formulated their own objectives in addition to or instead of the municipality's objectives, and how objectives and data for the pupils' tests were used in the management dialogue between the head teacher and the teachers, and among the teachers, and whether they were communicated and discussed with the parents. To ascertain that our variables for performance management in schools have construct validity we conducted a factor analysis (principal component analysis), which resulted in three components. The items with the highest loadings on these three components broadly fit the three elements formulation of objectives, participation (of teachers and parents), and focus on results, which theoretically constitute management by objectives (Drucker, 1976). We eventually measured management by objectives in the schools by a three-item scale with satisfactory reliability scores of 0.74.

We also included several control variables using data from official sources, Statistics Norway and the School Portal (which is a web-based portal for presenting relevant data about primary and secondary education). These variables included the municipal population (log transformed), municipal ethnic diversity, municipal level of higher education, the head teachers' total years of head teacher experience, school size, and operating expenses per pupil (in 1,000 NOK), teachers' competencies, and teacher density. Municipal population, which we used as an indicator for municipal size, correlated highly (more than the common threshold of 0.70) with municipal level of higher education and municipal ethnic diversity. To avoid problems with multi-collinearity we discarded municipal population from the analysis. Except for a dummy variable for the City of Oslo, none of the control variables were significantly related to the dependent variable, school performance, and were excluded from the final path model reported here.

Table 11.1 Inter-construct correlations and descriptive statistics ($n = 121$)

	1	2	3	4	5	6	7
1 School performance							
2 Past school performance	0.81*						
3 Municipal performance management	0.20*	0.20					
4 MBO in schools	-0.09	-0.09	0.61*				
5 Head teacher programme	0.02	0.08	-0.00	0.18			
6 Other management education	-0.05	-0.05	0.00	0.08	-0.28		
7 Municipality of Oslo	0.27*	0.14	0.47	0.40	-0.03	0.01	
Variable type	LVc	LVc	LVc	LVc	EV	EV	EV
Number of indicators	3	3	3	3	1	1	1
Dijkstra-Henseler's rho (ρ_A)	0.94	0.92	0.84	0.74			
Jöreskog's rho (ρ_c)	0.94	0.92	0.83	0.74			
Cronbach's alpha (α)	0.94	0.92	0.83	0.74			
AVE	0.85	0.80	0.62	0.49			
Weights	.34–.36	.35–.37	.31–.42	.39–.43			
Loadings	.89–.94	.88–.92	.63–.85	.67–.73			

Notes: LVc = Latent variable (mode A, consistent), EV = Emergent variable (mode B). All indicators had significant weights and loadings with t-values $\Rightarrow 6.97$ ($p < 0.001$).

Table 11.1 presents the correlations and descriptive statistics for the variables. In the final analysis we only used the 121 schools without missing data on any of the variables. All the four composite constructs were measured as latent variables with Mode A consistent (Henseler, 2021). Past school performance was measured with national tests in 2009 and school performance was measured with national tests in 2014. The population of schools varies over time due to school closures and rebuilding. National test data for 2009 was chosen instead of 2008, and national test data for 2014 was chosen instead of 2015, for having as many usable cases as possible. All the four latent variables showed satisfactory composite reliability with Dijkstra-Henseler's rho in the range of 0.74–0.94. Three of the latent variables had high average variance extracted (AVE) with one variable (management by objectives in schools) only marginally below the common threshold of 0.50. All the latent variables therefore had satisfactory to good convergent reliability. Ten of the 12 indicators' loadings were above the common threshold of 0.707 resulting in good indicator reliability with the remaining two indicator loadings of acceptable 0.63 and 0.67. All the indicator loadings were highly significant. The highest heterotrait-monotrait (HTMT) ratio was 0.81 between past school performance in 2009 and school performance in 2014, below the common threshold of 0.85 indicating satisfactory discriminant validity. (The highest bootstrap inferential HTMT ratio was 0.86 with a 95 per cent one-side confidence interval and thus significantly smaller than 1.)

ANALYSIS

The big question is whether performance management in general and management by objectives in particular affects educational performance and, if so, what factors influence the schools' use of performance management and their school performance.

To investigate the hypotheses, we conducted a multivariate analysis using PLS-PM with school performance as the dependent variable. Head teachers' management education in a head teacher programme or other management education, the municipal performance management, and past school performance are exogenous variables, and management by objectives in the schools was endogenous variable. To model the head teachers' management qualification, we included variables for the head teachers' participation in an ongoing or completed head teacher management programme (H1a) and their participation in general management education (H1b). The capital, the City of Oslo, has put much emphasis on performance management in schools and there had been a head teacher programme going on for some years prior to 2011–2012. Oslo also has county tasks, including secondary education. We therefore included a dummy variable for schools in Oslo, which was significantly related to school performance.

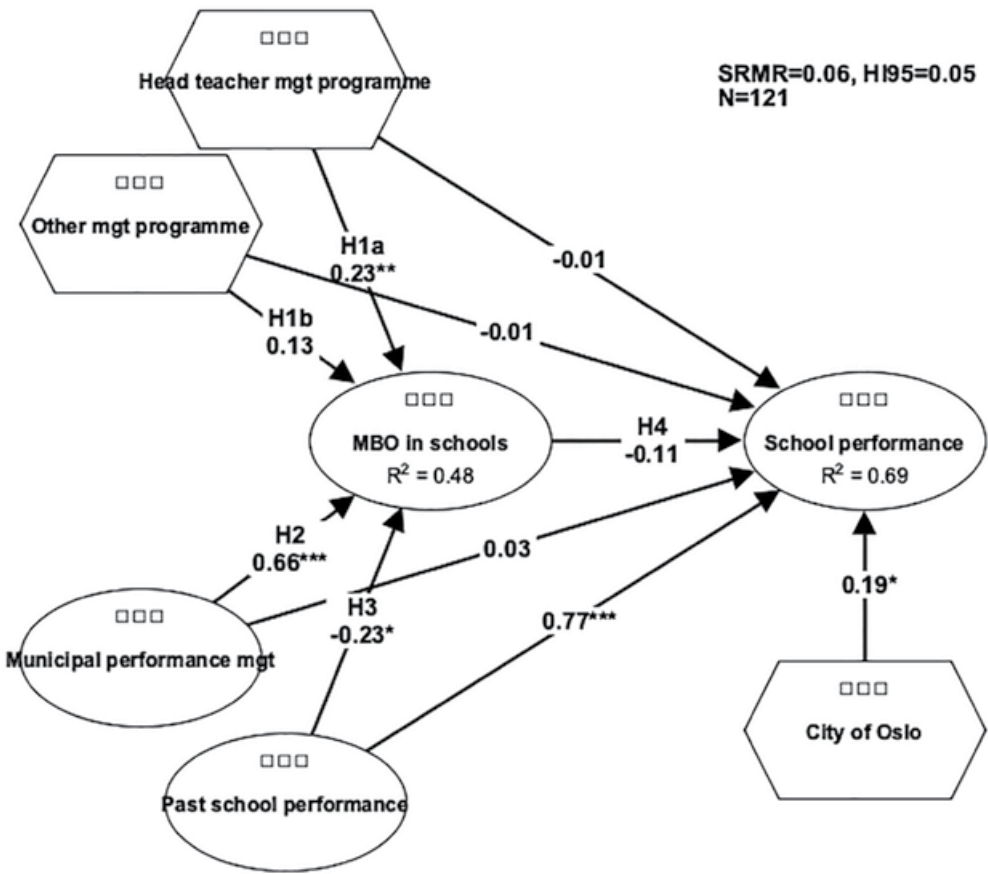
Table 11.2 documents the results. The standardized root mean squared residual (SRMR) ratio for the estimated model is below the common threshold of 0.08, indicating good overall model fit. Two of the three values of the discrepancy measures were, however, above the 95 per cent quantile of the reference distribution (HI95), indicating that the model could be rejected at the 5 per cent significance level. This chapter is more an explorative analysis than a theory confirmatory analysis. Hence, we emphasize more the assessments of the path coefficients and their significance, the effect sizes, and the models' goodness of fit (R^2) than the overall model fit (Benitez et al., 2020). Figure 11.2 visualizes the main results from the structural model.

Table 11.2 PLS-PM path model evaluation

Relationship	Beta coefficient	p-value (1-sided)	Indirect effects	Total effect	Effect size (Cohen's f^2)
Head teacher programme → MBO in schools (H1a)	0.23	0.00		0.23	0.09
Other management education → MBO in schools (H1b)	0.13	0.09		0.13	0.03
Municipal performance management → MBO in schools (H2)	0.66	0.00		0.66	0.80
Past school performance → MBO in schools (H3)	-0.23	0.01		-0.23	0.10
Head teacher programme → School performance	-0.01	0.43	-0.03	-0.04	0.00
Other management education → School performance	-0.01	0.44	-0.01	-0.02	0.00
Municipal performance management → School performance	0.03	0.42	-0.07	-0.04	0.00
MBO in schools → School performance (H4)	-0.11	0.24		-0.11	0.02
Past school performance → School performance	0.77	0.00	0.03	0.79	1.63
Municipality of Oslo → School performance (control variable)	0.19	0.01		0.19	0.09
Endogenous variable R^2					
MBO in schools	0.48				
School performance	0.69				
Goodness of fit of the estimated model	Value	HI95			
SRMR	0.06	0.05			
d_{ULS}	0.36	0.36			
d_G	0.33	0.25			

The measurement models for management by objectives in schools and for school performance had high R^2 with 0.48 and 0.69 respectively. Note, however, that although the variables had satisfactory discriminant validity, the construct correlation was high between municipal performance management and management by objectives in schools (0.61) and between past school performance and school performance (0.81). The dummy variables modelling head teachers' management education and schools in Oslo were positively and significantly related to high levels of management by objectives in the schools, corroborating hypothesis 1. Municipal performance management was also significantly related to using management by objectives in the schools. Both variables were measured at the same time, so we cannot state a causal relationship implying that extensive municipal performance management regimes increase the levels of management by objectives in the schools. The strong relationship nevertheless corroborates hypothesis 2. There was a significant, negative relationship between past educational results in 2009 and the use of management by objectives in the schools in 2011–2012. We can therefore state that hypotheses 1, 2, and 3 were strongly corroborated. There was also a very strong, positive, and significant relationship between past school performance in 2009 and school performance in 2014. The bivariate correlation was $r = 0.81$, cf. Table 11.2, and auto correlation could therefore be an issue here. To test for auto correlation, we conducted a multiple regression analysis with school performance as dependent variable and all the other variables in the model in Table 11.2 as independent variables. A Durbin–Watson test for auto correlation gave a statistic of 2.17 ($p = 0.30$). A rule of thumb is that a test statistic in the range of 1.5–2.5 is normal and indicates no major problem with auto correlation. The extreme f^2 value of 1.63 for the effect of past performance on school performance as well as the high standardized regression coefficient of $r = 0.77$, however, point to possible issues related to auto correlation.

Hypothesis 4 stated that schools with high levels of management by objectives have high educational performance. Our data on performance management were from the school year 2011–2012 and educational performance from autumn in the school year three years after



Note: 2-sided p-values; * = $p < 0.05$, ** = $p < 0.01$, *** = $p < 0.001$.

Figure 11.2 Main results of the structural model

(2014–2015). These data satisfy the required time ordering for a hypothesized causal relationship. The data can therefore, with care, be used for investigating impacts of using performance management in schools and school performance.

Table 11.2 shows that the only significant relationships with the schools' educational performance in 2014 were past school performance, as mentioned, and the dummy variable for schools in the City of Oslo. Hypothesis 4 was therefore not corroborated. In fact, there was a negative but small and not significant relationship between management by objectives in schools and school performance three years later. We could interpret this negative relationship as reverse causation: when schools experience low performance, they engage in more performance management, but only municipalities with top-management commitment to performance management and high performance, such as the City of Oslo, achieve positive outcomes from performance management in the schools. The data, therefore, did not support the hypothesized positive causal relationship between performance management in schools and educational performance as formulated in hypothesis 4, but corroborate hypothesis 3,

which stated that schools with (previous) low performance increase their (have high) levels of management by objectives.

Possible issues due to multi-collinearity notwithstanding the effect sizes of head teacher programme, municipal performance management, and in particular past performance, is important for management by objectives in schools. Past performance, possibly due to professional practice and the pupils' traits in the schools' catchment area, is very important for school performance. Interestingly, schools in the City of Oslo are also important for school performance.

DISCUSSION AND CONCLUSIONS

Performance measurement and management has become important in the education policies of many governments and municipalities during the last two decades in Norway. Governments with varying political regimes have all agreed in adopting and implementing a national system of performance measurement and continued participation in international PMS. All municipal schools in Norway are required to measure and report performance in national tests, but the design of the municipalities' local performance management systems is the prerogative of the municipalities. Many municipalities and schools have introduced performance management as a tool for implementing municipal strategies, assuring the quality of municipal services, and evaluating the implementation of national policies. Some municipalities with conservative and liberalist regimes – especially in the capital, Oslo – have chosen to use management by objectives as a major tool for improving their school performance. An analysis from Statistics Norway showed that schools in the City of Oslo performed better than the average of schools in Norway on many dimensions (Kirkebøen 2022), but this analysis did not study the impact of multi-level performance management.

The use of performance measurement and management is now common practice in many municipalities, but the debate is still heated regarding the merit of such systems for improving the schools' transparency, accountability, and effectiveness. Management by objectives in primary and lower secondary schools has been an especially contested issue, exemplified by the 'teaching to the tests' debate.

Analysis of the survey data showed that there was extensive use of municipal performance management and management by objectives in the Norwegian schools in 2011–2012. Head teachers in the large municipalities and schools were most exposed to performance management, but there was great variation in head teachers' conceptions of the degree of performance management in the municipalities and schools, also among head teachers within the same municipality. Some head teachers responded that they hardly used any of the management tools in question at all. This raises the question whether the municipalities as formal school owners manage some schools more actively than other schools or whether this variation is due to how the head teachers conceive of the situation – for example based on their management education – or interpret the survey questions.

Critics have argued that management by objectives does not fit in schools because schooling is largely based on teachers managing themselves according to professional norms. Other critics have argued that the merit of management by objectives has not been documented and that this management practice largely leads to more reporting and paperwork, and distortion of attention and misallocation of resources, without benefiting the overall objectives of public

sector services such as schooling (Van Thiel and Leeuw, 2002). Moreover, by measuring certain aspects of performance there is a risk that some people try to game the system by adjusting their behaviour to fit the measurements rather than change their behaviour to improve performance. In schooling this problem manifests itself in 'teaching to the tests' (Wilson, Croxson and Atkinson, 2006). Some of the labour unions and socialist parties have been especially hostile to the new performance management regimes, in particular the use of management by objectives in some municipalities and the publication of the results and ranking of individual schools. The policy for as well as the resistance against continued performance management are still going on.

A large majority of the head teachers in this study had faith in performance management and the use of quantitative measurement of school performance, at least using the national tests as one among several indicators for schools' performance. Many head teachers and schools therefore actively used performance management in their administration. There is at present, however, still a lack of sound evidence for the performance of performance management in the Norwegian schools.

The results did not corroborate earlier conclusions in the school economics literature on some major determinants for school performance; first and foremost, that one of the most important determinants for schools' educational performance is the parents' educational level, which we in this study measured as the ratio of the municipal population with higher education. If we had had access to data for the educational level in the school's catchment area, or even better the educational level of the pupils' parents, the relationship between educational level and school performance would probably have been stronger than our results indicated.

Performance management in the municipality was an important determinant for management by objectives in the schools indicating that schools that experience a strong degree of performance management from the municipality extend the performance management into the schools. Using the concepts of agency theory, the school management loyally follows up agreed goals and strives for the remaining staff at their school to also follow up these goals. Interestingly, though, much management by objectives in schools seemingly did not materialize directly in high school performance. It was factors related to past high school performance and factors in the City of Oslo that were positively related to school performance. The City of Oslo has in Norway been known for its relatively firm school performance management regime compared to a more lax performance management regime in many other municipalities and national policy. Oslo had already invested in a head teacher management programme and its performance regime for several years prior to our survey in 2012. Using Bevan and Wilson's (2013) terms for different models of governance in schooling – 'trust and altruism', 'hierarchy and targets' (command and control), 'choice and competition', and 'transparent public ranking' – to describe the situation, Oslo may have used a combination of much of the latter three models combined with a head teacher programme, while many other municipalities have relied on the trust and altruism model popular with professionals and voluntary participation in head teacher programmes. These results indicate that mandatory or at least extensive head teacher management education may also impact on school performance and not only performance management in isolation or mandatory performance measurement in national or local regulation in the performance regimes. Maybe head teacher management education is important for management by objectives to function for participation and self-control in vertical performance management, as intended, rather than being used as a tool for hierarchical 'school owner' governance only. This issue is important for public policy and practice. Head

teacher programmes and performance management regimes may nevertheless only be necessary but not sufficient tools for school performance.

Top-management commitment to municipal performance management as well as management by objectives in schools may well be important determinants for high performance. This ‘mechanism’ is often touted in public management reforms and may well be explained by tight hierarchical control. The case of the City of Oslo is interesting also for other reasons and maybe especially due to another ‘mechanism’ that so far has not been addressed much in the performance management literature. The City of Oslo, having municipal as well as county tasks, is in the national unique position of being responsible for primary as well as upper secondary education. The educational authorities in the City of Oslo are therefore in a better position than most authorities in other municipalities to get early information on their pupils’ performance in upper secondary education. The positive impact on school performance in the City of Oslo could be due to tight hierarchical control and the internal responsibility for school performance also in upper secondary education. In other municipalities, a shared responsibility for school performance from primary through upper secondary schooling would only be achieved through voluntary co-operation between municipalities and counties or through tight supervision from the national education authorities. In the City of Oslo this horizontal ‘networking’ is already in place. This unique position, to have first-hand access to performance data in and being responsible for the performance in upper secondary education, could have provided a positive spill-over effect for its performance management in its primary education (Chapter 2 in this volume).

A third possible explanation for the City of Oslo seemingly having a positive impact on school performance is its sheer size. The City of Oslo has more inhabitants, ethnic diversity, pupils, and schools than any other municipality. Some of these factors may on the one hand pose management and educational challenges. On the other hand, more schools may give more variation that could be exploited for learning and may also be easier to manage if some schools perform poorly than it would be in smaller municipalities.

Intriguingly, there was a negative and significant relationship between past school performance and performance management at the school level in 2011–2012, as hypothesized. There is therefore likely a causal relationship between poor performance and more performance management. (See Friestad, 2016, for a similar analysis.) The inclination to follow up poor results may also have increased over time due to more coherent performance management over time, which may also explain the still negative but insignificant relationship between management by objectives in schools in 2011–2012 and school performance in 2014. (Performance tends to be relatively stable.) Schools with poor performance would likely search for tools and practices that could improve performance, and using more performance management would be one such option. Thus, poor-performing schools may have both the motive and opportunity to use more performance management while high-performing schools, lacking the motive, may not seize the opportunity.

This tendency – in a Nordic corporatist context poorly performing schools use performance management more than high-performing schools – is particularly interesting compared to possible reversed causal relationships between high-performing schools and engagement in performance management practices in US schools. Sun and Van Ryzin (2014, p. 334) discussed the issue that ‘schools that are performing better on standardized test scores may, because of these more encouraging outcomes, invest more time and effort in the process of reviewing and discussing performance measures’. Therefore, in corporatist contexts where the teaching

professionals govern largely by traditional self-regulation, performance management may seldom be used without external pressure or top-management implementation unless there are poor results. In an egalitarian and consensual culture, such as in the Nordic countries (Johnsen and Vakkuri, 2006), there may be stronger pressure to improve poor-performing pupils and schools than to improve the performance levels in high-performing schools (Johnsen, 2012). In adversarial or managerial contexts, such as in many US schools, high-performing schools may engage more in performance management than low-performing schools. Moreover, regulation is also a part of the equation-explaining context. Bevan and Wilson (2013) utilized the ‘natural experiment’ of devolution in the UK to study differences in school mean scores when Wales abolished the publication of league tables in 2001, thus reducing the ‘naming and shaming’ effect of poor performance relative to the English performance regime. The Welsh schools performed less well than the English schools after this reform, and ‘with the poorest and lowest average ability schools falling behind the most’ (Bevan and Wilson, 2013, p. 248). How performance management impacts performance over time and in different contexts is therefore (still) an interesting research issue.

There are several limitations in this analysis, which mean caution should be taken in interpreting and generalizing the results. The usable sample was small and had an overrepresentation of responses from schools in the large municipalities. This bias was aggravated by the high response rate from the schools in Oslo compared to many of the other municipalities. In addition, our variables for school performance were relatively crude measures. For example, the indicators for school performance from 2008 to 2014 did not take into account variation year by year or the pupils’ minimum learning levels. These indicators therefore rest on some theoretical assumptions that mean scores are valid measures that may or may not be empirically valid or socially defensible, at least as the sole measure for school performance. Moreover, our data spanning the 2009–2015 period are not necessarily directly valid for the current situation as the Covid-19 pandemic in 2020–2021 spurred more use of digital tools and distance learning. Indicators for some of the control variables were aggregate measures, so that for example parents’ and pupils’ individual traits were not measured.

The chapter’s main contribution is pointing out the importance of a coherent performance management regime at the municipal level and head teachers’ management competence as important determinants for the use of management by objectives in schools. The analysis has not provided any unequivocal answer to the research question as to whether management by objectives (and self-control) improves school performance. This analysis nevertheless contributes by addressing issues that need more research to develop a better evidence base for performance management in schooling and public policy (Pollitt, 2013). Among many interesting future research problems, we will highlight five.

First, there may be a pattern where mostly poorly performing schools adopt performance management, which needs further studies. Second, performance management requires management competence and patience to be put successfully to use, but there is no guarantee that schools that are poor in managing educational performance are good in implementing and using performance management. It is therefore interesting to study if there is a motive-and-opportunity pattern in using performance management as well as how head teachers’ qualifications and schools’ management practices facilitate performance management. Third, it is interesting to study whether some municipalities manage some schools (for example, schools with poor performance) more actively than other schools and if so, whether this practice has discernible impacts on school performance. Alternatively, some head teach-

ers may perceive the municipal management of their schools' ownership as diverse, which may also impact on school performance. Fourth, many conceive management by objectives as a typical element in a command-and-control ('targets and terror') governance model, but management by objectives may be used in different governance models and was originally designed for being used with a high degree of participation and self-control. Our survey only asked questions to head teachers. Future studies should also collect data for employees' goal commitment (self-control) and type of governance models at different levels in the performance regimes.

Fifth, and finally, the case of the City of Oslo is interesting for understanding how vertical and horizontal performance management with many stakeholders results in a hybrid governance form. National educational authorities, local authorities, school managers, professionals, pupils, and parents, among others, partake. Performance management in schooling is therefore as much stakeholder governance as it is hierarchical 'school owner' governance. The City of Oslo was, due to its unique status as a municipality and a county, obliged, at least formally, to internalize the performance of its pupils in upper secondary education in its performance management in its primary and lower secondary education. This position, to have first-hand access to performance data in and being responsible for the performance in upper secondary education, could have provided a positive spill-over effect for its performance management in its primary education. Being responsible for horizontal performance and being able to manage vertically across multiple units and levels is a daunting but maybe a value-adding task in hybrid governance and needs more research.

NOTE

1. This chapter is based partly on data collected by Paul Brakstad Waters in his master's thesis at Oslo Metropolitan University in 2013, where Åge Johnsen was supervisor, and partly on secondary data from the national tests, provided by the Norwegian Directorate for Education and Training to us in 2013 and 2016. We acknowledge constructive comments when earlier versions were presented for the 10th Transatlantic Dialogue (TAD10), 'From Public Administration to XXI Century Collaborative Administration: The Role of Public Networks', Università della Svizzera Italiana, Lugano, Switzerland, 5–7 June 2014; and for the New Public Sector seminar 'Modernising the State' at the University of Edinburgh Business School, 6–7 November 2014. Finally, we acknowledge the constructive comments from the reviewers and editors.

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12. Non-financial performance measurement in participatory governance: how to measure the different facets of hybridity?

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INTRODUCTION

This chapter provides an overview of the participatory governance (PG) model through the lens of non-financial accounting and regulatory efforts. It then offers an analysis of a single case study of an Italian mutual insurance company to analyse in depth the issues related to non-financial performance measurement.

It has been widely acknowledged that the conventional performance measurement system (PMS) used by public and private organisations does not allow rigorously quantifying and internalising externalities that arise as a consequence of the organisational activities and complexities connected to diverse groups of stakeholders (Costa and Andreaus, 2020; Coyle, 2018; Mayston, 1985, 1992a, 1992b; Pallot, 1992; Patton, 1992). Due to the market's failure to assign price or value to certain activities and economic transactions, conventional accounting has failed to capture such externalities (Unerman, Bebbington and O'Dwyer, 2018). Therefore, scholars argue that the faithful and credible representation of organisational performance needs to include non-financial and financial metrics (Antonini and Larrinaga, 2017; Patton, 1992).

Although scholars recognise the need to expand financial accounting towards non-financial dimensions of organisational activities, this transition is a challenging process. The number of bottlenecks hindering this transition towards sustainability accounting includes, but is not limited to, the difficulty of defining what and how to measure (Coyle, 2018) heterogeneous and conflicting interests of multiple stakeholders (Costa and Pesci, 2016; Grossi, Vakkuri and Sargiacomo, 2022) and the lack of credible sustainability accounts in practice (Bebbington and Larrinaga, 2014). Moreover, the debate on organisational performance measurement is strictly related to the notion of accountability and power relations between parties: 'Who is answerable to whom?' (Halachmi, 2002, p. 371; see also Bovens, Schillemans and Hart, 2008). Since the tradition of measuring financial performance has been oriented towards the information needs posed by parties who hold resources (namely capital) and therefore power, traditional accounting aims to convey information related to an organisation's economic performance. Therefore, for a PMS to extend beyond the financial dimension, it needs to overrule the arrangements existing in the traditional governance model.

However, when the mission is not merely profit-oriented, the participatory form of governance is recommended. Extant literature refers to such organisations as hybrids, since their existence is connected to the achievement of both financial and societal mission-related goals and resulting values (Alexius and Furusten, 2019; Ebrahim, Battilana and Mair, 2014; Vakkuri and Johanson, 2021). In this respect, pursued value constellations position hybrid organisa-

tions between the private and public sectors, whereby the former is associated with the worth in the monetary terms yielded from the market exchange, and the latter refers to the societal value generated to the larger groups of stakeholders within society (Vakkuri and Johanson, 2021). Due to the multiple complexities related to the pursuit of a mission, which is not merely financial, more sophisticated accounting tools are needed not only to adequately measure generated value constellations (Grossi et al., 2022; Rajala, Laihonon and Vakkuri, 2020) but also to capture the ability to give voice to the different interests at stake (Bentzen, 2022; Sardiello, Alexius and Furusten, 2019). Thus, whereas the first point relates to the difficulty of measuring the pluralism of values associated with both societal and financial goals (Vakkuri and Johanson, 2021), the second point is connected to the reality behind claimed democracy (Osmani, 2008; Sardiello et al., 2019) in the PG model, which ensures that the hybrid organisation achieves its mission.

Considering the crucial role of democracy in the PG model, regulative norms should guide and aim for an effective measure of this key facet. Despite this awareness, no attempts have been made to examine the current measurement practices used by organisations with PG needed to disclose the real engagement of their members in governance processes or to evaluate the role of regulations in the enhancement of such disclosure (cf. Chapter 4 in this volume).

In this respect, the main research question of this chapter is the following: to what degree do the disclosure practices enhanced by regulatory requirements provide meaningful measures of hybridity in participatory governance?

This chapter answers the research question through a case study approach (Yin, 2004), investigating the current disclosure practices of a mutual insurance organisation that adopts a PG model. This investigation can help provide insights into the measurement tools leveraged to disclose the achievements of its hybrid mission and democratic principles.

The case of Alpha, a mutual insurance company governed through a system of representativeness, is investigated herein. Mutuality in this setting refers to the mutual aid offered to local people that is captured at the core of Alpha's mission. It is primarily conceived as an aid towards local people who need forms of insurance to be protected from different kinds of risks and thus become members of Alpha. Alpha's mission simultaneously embodies another type of mutuality that is enlarged to the local society by funding social initiatives. As such, Alpha's peculiarity lies in its shared ownership structure, characterised as PG that embodies democratic principles aimed at securing mutuality achievement. This means that the individuals who have purchased insurance contracts from the organisation acquire the membership status that grants them the right to participate in the governing process. Their participation is facilitated by the election of representatives who can become effective decision makers. In this respect, Alpha is an example of an integrative hybrid setting that pursues both societal and financial values by integrating beneficiaries with customers (Vakkuri and Johanson, 2021). Hence, the achievement of Alpha's organisational mission, which is mutual by nature, cannot be measured using conventional accounting methods, nor do the current law requirements fully capture its peculiarities. Thus, Alpha's case lays the foundation for discussing the effectiveness and challenges in measuring the non-financial spectrum of PG arrangements.

The chapter includes three sections, each aiming to discuss performance measurement within PG from different angles. We depart from the discussion of PG arrangements. Then, we unpack regulatory efforts to design non-financial metrics and translate this discourse into the analysis of a case study of Alpha. The chapter concludes with a provision of the final remarks on the discussed topics.

OVERVIEW OF PARTICIPATORY GOVERNANCE

Bridging Governance with Performance Measurement

Performance measurement is oriented towards the parties who have been defined as salient to the organisation and further enforces accountability towards them. As such, it is critical to understand the concept of accountability before proceeding to the discussion of various governance settings.

The notion of accountability has been viewed as ‘one of those golden concepts that no one can be against’ (Bovens et al., 2008, p. 225); yet, it is an obscure and chameleon-like term (Sinclair, 1995). Defined as per its simplest interpretation, accountability refers to ‘an “*ability*” to be called to “*account*”’ (Mulgan, 2000, p. 560; emphasis added) and describes a social relationship in which actors are required to explain and justify their actions to an authority (Patton, 1992; Reddick, Demir and Perlman, 2020; Sinclair, 1995). Intuitively, it conveys the notion of accounting for the performance of duties and a sense of responsibility to accept sanctions (Mulgan, 2000). In other words, evaluation criteria within a PMS are designed to deliver information relevant to the needs of the power holders (Dillard and Vinnari, 2019). Hence, when applied to the discourse on performance measurement, it is critical to scrutinise the power relationships between actors, which entails the identification of ‘who’ is accountable to ‘whom’, ‘how’, and for ‘what’ (Bovens et al., 2008; Halachmi, 2002; Mulgan, 2000; Patton, 1992; Rached, 2016). Consequently, accountability arrangements are strictly connected to the modality of coordination over organisational activities.

The discourse on traditional governance arrangements stems from the historical event of the separation of ownership and control in the 19th century, which resulted in a governance model represented by the diffusion of ownership among numerous stockholders (Coffee, 2001; Pallot, 1992; Zeitlin, 1974). The transition to dispersed market ownership was argued to be beneficial because of the specialisation of functions: professional managers carried out decision-making tasks, whereas the owners were bearing higher risks posed by the market to their invested capital (Fama and Jensen, 1983). Thus, the traditional governance model is based on vertical hierarchical relationships between superiors (principals) and subordinates (agents). Similarly, accountability itself is vertical, which aims to account for the performance of the subordinates’ duties, emphasises profitability, and shows the owners’ (i.e. shareholders’) return on the invested capital (Mulgan, 2000). Hence, accountability stems from the delegation of responsibility from the principal to the agent, resulting in a structural yet bureaucratic relationship akin to ‘the actor–other dyad’ (Reddick et al., 2020, p. 1412).

In such a scenario, performance measurement predominantly relies on the financial accounting system, which serves functions per its formal and historic notion: provision to the relevant financial principals with the information required to assess organisational activities and assist in decision-making (Dubnick, 2005). Relevant principals in this setting comprise shareholders, investors, creditors, and lenders, whose primary interest lies in the assessment of the financial dimensions of organisational activities. Therefore, they are granted the legitimate right to disclose certain information in the annual accounts (profit and loss statements and balance sheets), directors’ reports, directors’ certification of accounts, and auditors’ reports (Mulgan, 2000). This high degree of disclosure and scrutiny of agents aims to reduce the information gap between providers of capital and the entity to whom they have entrusted their investment (IFRS, 2021; see also Osmani, 2008). Consequently, accountability provided with

accounting measures (i.e. sales, profit, return on investment) and market measures (i.e. share price, return on equity) provides information regarding the financial health of an organisation (Ebrahim et al., 2014) to its army of shareholders (Mulgan, 2000). In this scenario, the PMS is rather simple and unidimensional (Dillard and Vinnari, 2019; Mayston, 1992a), as it simply aims to demonstrate that resources have been spent as promised (Halachmi, 2002).

As several earlier papers within public sector accounting scholarship have emphasised, the performance measurement process is guided by the decision-relevance criterion (Mayston, 1985, 1992a, 1992b; Pallot, 1992; Patton, 1992). Approaching accounting information from the perspective of decision relevance clarifies what must be measured and what must be excluded. Given the relevance of financial information to economic decisions, financial reporting fulfils its traditional roles of monitoring, promoting stewardship and control (Mayston, 1992a), and providing explanations (Patton, 1992). Given this limited scope, however, a PMS provides very little information on the benefits accrued to multiple users of a public good (Mayston, 1985, 1992a). Further, a PMS acts differently depending on ownership or governance settings (Pallot, 1992). Notably, as Mayston (1992b) argued, there are numerous changes within the organisational forms, along with the emergence of new ones, such as hybrid organisations, that are gaining importance, making these differences more recognisable (Chapter 8 in this volume).

Hence, as the organisation adopts a more sophisticated form of governance arrangement, the PMS leveraged in the traditional governance setting fails to effectively capture the benefits created by multiple stakeholders (Bentzen, 2022; Fischer, 2012; Mayston, 1992a). PG is an example of a complex governance arrangement adopted in a hybrid organisation. Broadly speaking, PG refers to a new space for decision-making, whereby the public takes the role not merely of the watchdog or consultant but of an equal participant (Fischer, 2012) and hence becomes a part of the solution (Gbikpi and Grote, 2002). In other words, stakeholders are invited not only to pose questions and pass judgement (Bovens et al., 2008) but also to participate in strategic collective decision-making processes (Ansell and Gash, 2007; Hickey and Mohan, 2004). Due to the complexity of this governance arrangement, it is necessary to adopt an equally complex PMS. Specifically, the accounting system here is accountability-based, which is leveraged as a means to empower marginalised groups and constrain the power of parties holding resources and, consequently, the power to act (Dillard and Vinnari, 2019). Indeed, there is evidence that the multi-stakeholder approach, which lies at the core of the PG setting, not only empowers the voices of less powerful stakeholders but also reduces the 'power gap' (see Fischer, 2012; Osmani, 2008). Therefore, asymmetrical power relations, which are inherent in traditional governance, merely create barriers to meaningful participation and dialogue with stakeholders other than lenders.

Additionally, the instrumentalisation of participation enhances outward accountability, otherwise remaining inward-looking to owners (Bovens et al., 2008). Whereas traditional accounting systems are compatible with traditional governance, hybrid organisations require more sophisticated and multidimensional measurement systems that can monitor the accomplishment of their missions (Grossi et al., 2022). This is due to the dual nature of hybridity, which lies in the combination of characteristics inherent to the public (i.e. delivery of public services and creation of social welfare values) and private sectors (i.e. integrated economic values and pursuit of commercial objectives) (Ansell and Gash, 2007; Brandsen and Karré, 2021; Ebrahim et al., 2014; Grossi and Thomasson, 2015).

It is worth noting that the governance settings of hybrid organisations have been adjusted to effectively navigate the pursuit of conflicting objectives and to address the needs of beneficiaries (Ebrahim et al., 2014). Specifically, being positioned between the public and private sectors, the ownership systems of hybrid organisations have been altered to enable them to pursue value constellations associated with both societal and financial goals (Ebrahim et al., 2014) by incorporating multiple stakeholders into their governance (Costa and Andreass, 2020). Needless to say, such blurred boundaries between the private and public sectors make it difficult to locate hybrid entities in organisational studies.

There is an increasing number of organisational arrangements that hybrid organisations can make (Ebrahim et al., 2014; Grossi et al., 2019; Vakkuri and Johanson, 2021), among which a mutual company represents an interesting overlap between hybridisation and mutualisation. As such, a hybrid nature here refers to the pursuit of societal and financial goals, as well as to competing profit-seeking vis-à-vis societal impact (Vakkuri and Johanson, 2021). Mutualisation is associated with trust, reciprocity, and mutuality as the mechanisms of coordinating and building hierarchical structures (Parker, 2007). Not only does this organisational arrangement aim to minimise the opportunistic behaviour existing in the traditional governance model, but it also guarantees the democratic participation (Parker, 2007) of all affected stakeholders (Bentzen, 2022).

Further, mutual organisations embrace democratic principles to account for the minority's interests, which have been neglected in traditional governance settings. To achieve this, Sardiello et al. (2019) offered two approaches: through a system of representative democracy (i.e. elected individuals represent the majority) and direct democracy (i.e. voting directly). This is especially evident when the organisation blends the notion of the customer as a market actor with the notion of the owner as a member of an association (Sardiello et al., 2019). Ultimately, such a hybrid ownership model positions mutual organisations between the civil society and the market (Sardiello et al., 2019), and further complicates performance measurement, which is discussed in the following section.

Caveats in Measuring the Performance of Participatory Governance

Accountability mechanisms in the traditional PMS are mono-dimensional in nature, since they have been designed to meet the information needs of shareholders (and other lenders of capital) (Dillard and Vinnari, 2019; Mayston, 1992a). As interest groups increase, so does the amount of information, which makes it easy for accountability to become lost 'in the cracks of hybrid' organisations (Bovens et al., 2008, p. 240).

Indeed, the design of an effective PMS for hybrid organisations is a complicated task (Grossi et al., 2017). In this respect, the literature identifies several pitfalls that can explain why organisations that have been practising outward-oriented accountability struggle to measure their non-financial performance. Scholars have suggested that this is due to the heterogeneous and potentially conflicting interests of the beneficiaries (Ebrahim et al., 2014; Hazenberg and Paterson-Young, 2022), the ambiguous and dual nature of the organisational 'hybridity' (Alexius and Furusten, 2019), and the necessity to consider their mission achievement and social impact (Costa and Andreass, 2020). These factors ultimately complicate the measurement process. To this list, we add the difficulty of measuring the degree of participation resulting from the decoupled participatory arrangement and democratic principles.

The widespread assumption in contemporary discourse is that PG improves the chances of yielding more comprehensive outcomes, since the beneficiaries articulate their interests directly in the decision-making process (Gbikpi and Grote, 2002). Although there is evidence that this arrangement empowers the voices of marginalised stakeholders by placing societal needs in its mission (Fischer, 2012; Hickey and Mohan, 2004; Osmani, 2008), the positive outcomes of participation should not be taken for granted a priori (Alexius and Furusten, 2019). Engagement and inclusion of marginalised groups in the decision-making process do not guarantee the improved implementation of policies or the delivery of the required services for citizens per se (Fischer, 2012). Fischer (2012) reasoned that the technical challenge in assessing the impact of participation arises from the absence of reliable information regarding the distribution of benefits and costs. In fact, various intervening factors come up when we discuss stakeholders' participation, including distribution of power; level of participants' motivation, knowledge and skills; and the presence of actors capable of facilitating the process (Fischer, 2012; Hickey and Mohan, 2004; Osmani, 2008; Patton, 1992). Similarly, Patton (1992) argued that multiple stakeholders may have not only different preferences for different types of accountabilities but also different skills, even if they participate in the same economic or political markets. Therefore, because of such heterogeneity of preferences and skills, it is unclear how the efficiency of stakeholders' participation can be translated into reliable metrics; that is, to know whether participation has indeed contributed to mission achievement.

To further articulate this argument, Hazenberg and Paterson-Young (2022) suggested that participation does not exclude the reinforcement of inequality and serves the needs of the powerful. This indeed represents a double-edged sword. Thus, just because the mutual entity is owned by its customers and allocates the generated surplus for the mutual benefit of its members does not necessarily mean that an organisation is entirely democratic. However, from first glance, PG can be seen as democratic: the practice of 'one owner – one vote' guarantees equal representation in voting, which negates the risk of influencing organisational decision-making in the traditional setting by a block holder, who owns substantial equity. That is, in a mutual entity, each member has only one vote (Sardiello et al., 2019). This differs from the traditional governance system, where an owner exercises voting power based on the principle of 'one share – one vote' (SEC, 2021), and consequently, the voting power depends on the amount of holding shares.

However, the governing and managing processes of an organisation require a certain set of skills, experiences, and educational backgrounds that are not necessarily possessed by members (Patton, 1992). By contrast, an informed and enlightened citizenry can enhance the decision-making process (Dahl, 1994; cf. Gbikpi and Grote, 2002; Osmani, 2008). Similarly, Sardiello et al. (2019) suggested that raising the interest and engagement of members can be a major challenge in a mutual entity, since not everyone can decode the provided technical information. A lack of familiarity with the concept of mutuality can explain low participation in the annual general assembly, which is a platform where individual members are given the opportunity to express their opinions (Sardiello et al., 2019). Potentially, only a small group that is more informed and knowledgeable can fully exercise voting rights and lobby interests that may not be shared by other members (Fischer, 2012; Patton, 1992). Thus, PG, which is a seemingly democratic arrangement, may continue to address the needs of the powerful, since not all individuals can fully participate in the governing process. As such, although *de jure* hybrid organisations strive to pursue societal values, *de facto* decoupling is likely to appear between organisational goals and stakeholders' interests.

Given that there is a tendency to measure what can be easily measured, intervention through hard laws is needed to force organisations to consider dimensions that cannot be easily measured (i.e. the degree of participation and contribution of each member to the achievement of the mutual mission).

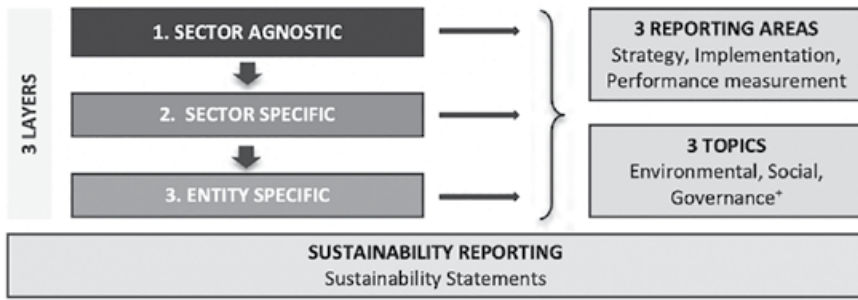
REGULATORY EFFORTS TO ADDRESS PERFORMANCE MEASUREMENT ISSUES AND INNOVATIVE GOVERNANCE ARRANGEMENTS

The adoption of the Non-Financial Reporting Directive 2014/95/EU (NFRD) demonstrated that the implementation of laws per se does not ensure the conveying of relevant information to stakeholders. Its non-binding principle has resulted in a lack of incentives to report more than what is needed, as well as incomplete and misleading information (Antonini and Larrinaga, 2017; Cho et al., 2015). Therefore, hard laws are needed not only to guide and assist organisations in the provision of a reliable portrayal of their performance but also to force them to regularly disclose such information.

To analyse regulative attempts to address measurement issues, we choose the upcoming Corporate Sustainability Reporting Directive¹ (CSRD). The European Commission (EC), a supra-national institution, published this proposal for a new directive in April 2021, under which the European Financial Reporting Advisory Group (EFRAG) was mandated to develop and endorse sustainability reporting standards (EC, 2021a). The rationale for selecting the EC's latest initiative for our analysis is that the CSRD is one of its kind; it imposes a legal obligation to abide by (i.e. rule-based approach) and defines standards beyond traditional financial metrics. Although the NFRD targets the same goals, its non-binding nature (principle-based approach) does not have the legal power to force organisations to report and measure their non-financial impacts. Thus far, the 'accountability gap' that emerged from the lack of credibility and poor quality of reporting has remained despite NFRD implementation (EC, 2021c; see also EC, 2021b). Hence, given the fact that the very intention of the NFRD was to meet stakeholders' information expectations, the directive's mission was disconnected from the actual delivery. In this respect, the CSRD can be viewed as the transition from a non-binding or principle-based approach to a mandatory-reporting or rule-based approach.

Furthermore, the CSRD introduced amendments to Directive 2013/34/EU (the Accounting Directive) to impose the sustainability reporting obligation on credit institutions and insurance companies that are not limited liability companies, including cooperative banks and mutual and cooperative insurance companies (EC, 2021a, (1), (23)). The focus of our research is private organisations exercising a participatory approach, which fall under the scope of the CSRD and, hence, will be required to abide by this law.

To ensure that the disclosed information meets stakeholders' expectations, the EC extends the reporting scope towards three reporting areas (strategy, implementation, and performance measurement) and three main sustainability topics (ESG+: Environmental, Social, and Governance+) (EC, 2021a). Figure 12.1 illustrates connections between reporting areas and sustainability topics. The so-called G+ category standing for governance has been recognised by stakeholders as a salient matter (EFRAG, 2021a) and includes (1) an organisational spectrum of relevant matters such as governance, business and ethics, management of the quality of relationships with stakeholders, reputation and brand management (EFRAG, 2021b, p. 10);



Source: EFRAG, 2021a, p. 7.

Figure 12.1 Sustainability reporting architecture

(2) administrative, management, and supervisory bodies, and the composition of such bodies; and (3) an entity's internal control and risk management systems (EC, 2021a).

Given the fact that the NFRD lacks comparable standards, EFRAG's upcoming standards will be sector-specific, based on activities with similar sustainability risks representing 40 sectors (EFRAG, 2021a, p. 16). Further, the EFRAG acknowledges that sub-segments of financial institutions (banks, insurance, asset managers) are different despite belonging to the same group (EFRAG, 2021c, p. 37). Overall, organisations will be required to disclose information on, but not limited to, the following: (1) whether and how their business model and strategy take into account the interests of stakeholders, (2) the role of the board and management with regard to sustainability matters, and (3) political engagements, including lobbying activities (EC, 2021a).

THE CASE OF ALPHA MUTUAL INSURANCE

Context

This chapter is based on a case study (Yin, 2004) of Alpha, an Italian mutual insurance company. Alpha puts at its core the concept of mutuality, which distinguishes its mission from that of commercial insurance organisations. Alpha is, indeed, a hybrid organisation whose mission consists of benefiting its members and local communities by blending the notion of the customer with the notion of the owner in its ownership system. Historically, the territory in which Alpha is located has peculiarities, such as the need for people to come together to face issues related to geographical morphology (Leonardi, 1982). The territory is surrounded by mountains, and for centuries local people have experienced difficult living conditions. Alpha's mutual mission is to help sustain indigenous people and develop a richer environment. Over time, Alpha has grown and become an important player in the Italian insurance industry, but mutual values remain at its core, and its mutual mission has been enlarged to a concept of community that embeds different Italian territories.

The fact that Alpha adopts a PG model translates into the ideal possibility that each member participates in Alpha's decision-making process by following the rule of 'one person – one

vote' (Fiordelisi and Mare, 2014). To become a member of Alpha, an individual only needs to subscribe to an insurance contract (Alpha Statute, Art. 10, p. 9). Given the large number of insured people, Alpha decided to design a system of representativeness that could allow members' representatives to attend the annual general assembly by exercising the right to vote and consequently protecting the members' interests (Alpha Statute, Art. 13, p. 12). The protection of members' interests is related to the issue of democracy. Alpha's Statute is the locus where participation rights and modalities are described. The other documents that Alpha drafts annually to demonstrate and measure the achievement of the non-financial targets include the following: (1) Dichiarazione Non-Finanziaria (DNF) (i.e. Non-Financial Report), which is required by Italian Decree 30 December 2016, n. 254 for insurance companies following the European Union (EU) directives, and (2) the sustainability report.

Research Methods

From a methodological standpoint, content analysis was performed to analyse Alpha's statute and the non-financial report (NFR) (Krippendorff, 2004).

To achieve its mission, Alpha has developed a PG model whose features are disclosed in its statute; therefore, our study started from an analysis of the statute. In the same vein, its NFR was analysed with the aim of evaluating how Alpha has tackled the issue of measuring the different performances connected to its hybrid nature.

Alpha prepares two typologies of NFR:

1. The DNF, which, under the requirements of Italian law, can be drafted by merely disclosing some basic information regarding the organisation's model, risks, non-financial policy, and employees.
2. Sustainability reports that address the law requirements with full disclosure of Alpha's hybrid mission peculiarity.

Both documents from 2017 to 2020 were analysed. The time period was chosen based on the year when the Italian Decree on the DNF entered into force as well as the availability of documentation on the corporate website.

The content analysis performed on the selected documents aimed to evaluate the topics disclosed by Alpha, focusing on the specific measures developed to demonstrate the achievement of Alpha's hybrid mission as well as the members' participation in its governance. Alpha's PG has been evaluated in terms of both the adopted measurement tools and effective members' engagement (Costa and Pesci, 2016). The content analysis was performed manually, allowing the researchers to familiarise themselves with the content of Alpha's NFR (Pesci and Costa, 2014). Manual content analysis is time-consuming, yet it has been recognised for the high degree of detail that it can reveal (Beattie and Thomson, 2007). The researchers coded the NFR's content by adopting an emergent code approach (Unerman, 2000). Then, the codes were refined and aggregated, following the recommendations of O'Dwyer (2004). In the case of Alpha, three main codes were defined: mutuality towards community; mutuality towards members, which is related to the achievement of Alpha's hybrid mission; and PG, which provides evidence of the disclosure regarding the governance model adopted. Each code was composed of subcodes resulting from the aggregation of previously detailed subcodes that were connected to Alpha's hybrid activities. The following analysis shows the main results regarding Alpha's NFR measurement system.

Empirical Analysis

Alpha's participatory governance model

The analysis of Alpha's statute allowed the researchers to build Figure 12.2, describing the governance model.

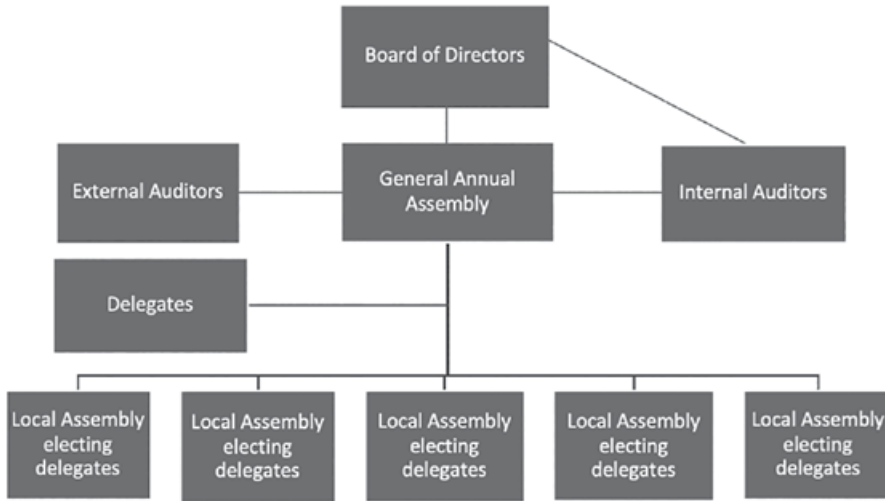


Figure 12.2 Alpha's governance model

Alpha's governance model is based on the mechanism of delegation. Alpha's mutuality, indeed, is associated with the fact that, upon purchasing an insurance contract, the customer becomes an effective member of Alpha. This is due to the condition that part of the amount paid to be insured by the company through the insurance contract represents an equity subscription. Moreover, to participate in Alpha's equity, a customer needs to become a member. Members are the *raison d'être* of Alpha because they are the first recipients of its mutuality.

Alpha, indeed, exists to deliver mutual aid to its members (Alpha Statute, Art. 1, p. 1) and to the community. In addition, member status grants customers the right to be represented in the annual general assembly for the approval of the annual statement and for deciding on the main governance actions (Alpha Statute, Art. 13, p. 12). Given the large number of members (which currently is around 900,000), a mechanism of delegation exists to grant the right to participate. Here, the delegation implies that each Alpha member can elect a delegate or be elected. The votes for the elections of delegates are collected at the agencies where the insurance policies are issued by following specific rules. These include a rule that partial assemblies must be organised into five groups for the election of delegates. These assemblies are composed of all members in a specific territory. The partial assembly is validly constituted regardless of the number of insured members attended and represented, and its resolutions are passed by the majority of votes of those present and represented (Alpha Statute, Art. 12 and 13).

Analysis of Alpha's NFR

The first documents downloaded from the corporate website were drafted in 2017, when Alpha prepared two substantially different reports containing the following non-financial disclosures: the DNF that addresses the law requirements at the minimum level and the sustainability reports integrating law requirements with full disclosure regarding Alpha's hybrid mission's peculiarity. In 2018, these two documents were merged, as they convey very similar content regarding Alpha's achievement of its hybrid mission. Thus, since 2018, these two documents have had very similar content, both containing full disclosures about the achievement of Alpha's hybrid mission.

In analysing Alpha's NFR, the main issues disclosed are illustrated in Table 12.1.

Table 12.1 shows that Alpha has been making efforts to measure the achievements of its hybrid goals. Attempts to find measures and provide detailed descriptions regarding hybrid mission performances are evident in the volume of disclosure and the number of issues covered. In this regard, the first column of Table 12.1 shows measurements related to Alpha's social mission. The document analysed shows how many initiatives Alpha is supporting in the social realm and the related amounts delivered. The facet of the hybrid mission that benefits the local community is disclosed in terms of performances and narratives with abundant details. The aggregated amounts received by local communities are complemented by a description of the initiatives founded. In addition, Alpha presents a value-added statement disclosing the distribution of value among the main Alpha stakeholders. The volume of disclosure connected to this facet of Alpha's hybridity is high in all the years examined.

The second column of Table 12.1 discloses the measurement adopted by Alpha regarding the facet of hybridity that is at the core of Alpha's existence: the benefit given to its members. In this regard, a computational effort was being developed during the analysed years to quantify the monetary benefit obtained by the members in subscribing to Alpha's insurance contracts. In particular, the effort to monetise the benefits delivered to the members poses complications that are summarised by the company in a few rows. Then, the company provides a numerical result that summarises the members' benefits. The fact that the readers of sustainability reports can see the information about members' benefits summarised in one number can be interpreted as a simplification to help the reader understand the measure. Yet, even though the number representing the monetary benefits for the members provides readable information, its meaning needs to be interpreted by experts in the field. Thus, explanations of the computations performed are scant and are devoted to an audience of experts in the field of economics.

Finally, the third column of Table 12.1 shows which measure Alpha discloses with respect to the PG model. Alpha offers a description of its governance structure year by year. In terms of measures regarding effective participation in governance by members, disclosure is substantially absent. No details are offered about the process and number of people who elected the delegates, nor regarding the participation of delegates in the assembly or their effective engagement in the decision-making process.

In summary, the disclosure offered by Alpha about the achievement of its hybrid goals is detailed in terms of the measure of the achievement of its social purposes, although it is difficult to interpret when there is an exigency in measuring the benefits obtained by its members at stake. Further, an effort to measure the extent to which members participate in the decision-making process of the organisation is absent.

Table 12.1 Alpha's NFR disclosure

Sustainability reports analysis: hybridity and participatory governance measures									
Hybridity measures									
Year	Mutuality towards the community	Volume of the disclosure	Disclosure and measures	Mutuality towards the members	Volume of the disclosure	Disclosure and measures	Participatory governance	Volume of the disclosure	Disclosure and measures
2017	Value-added distribution	1 page	Value-added statement	Controls and educational agents' activities	1 page	4 tables	Governance model	1 page	Description of the model
			Graph of value-added distribution						
	Social, cultural, environmental, sport, and community initiatives	12 pages	Number of initiatives						
			Monetary amounts for different typologies of initiatives						

Sustainability reports analysis: hybridity and participatory governance measures									
Year	Hybridity measures			Participatory governance measures				Participatory governance measures	
	Mutuality towards the community	Volume of the disclosure	Disclosure and measures	Mutuality towards the members	Volume of the disclosure	Disclosure and measures	Participatory governance	Volume of the disclosure	Disclosure and measures
2018	Value-added distribution	2 pages	Value-added statement	Mutual benefit for members	1/2 page	Computation of monetary benefits for members (premium computed on the basis of inferior amount in respect to the non-mutual companies)	Governance model	1 page	Description of the model
			Graph of value-added distribution						
	Social, cultural, environmental, sport, and community initiatives	34 pages	Number of initiatives						
			Monetary amounts for different typologies of initiatives						

Sustainability reports analysis: hybridity and participatory governance measures									
Hybridity measures				Participatory governance measures					
Year	Mutuality towards the community	Volume of the disclosure	Disclosure and measures	Mutuality towards the members	Volume of the disclosure	Disclosure and measures	Participatory governance	Volume of the disclosure	Disclosure and measures
2019	Value-added distribution	2 pages	Value-added statement.						
			Graph of value-added distribution						
	Social, cultural, environmental, sport, and community initiatives	43 pages	Number of initiatives	Mutual benefit for members	1 page	Computation of monetary benefits for members (premium computed on the basis of inferior amount in respect to the non-mutual companies and on the basis of the value added)	Governance model	1 page	Description of the model
			Monetary amounts for different typologies of initiatives			Specific product for benefiting members			Number of delegates (200)
2020	Value-added distribution	2 pages	Value-added statement	Mutual benefit for members	1/2 page	Established amount of mutual benefit for the following year (1 million euros)	Governance model	1 page	Description of the model
			Graph of value-added distribution			New policy about mutual benefits			
	Social, cultural, environmental, sport, and community initiatives	37 pages	Number of initiatives						
			Monetary amounts for different typologies of initiatives						

Discussion

Alpha’s case empirically illustrates how the mutual company tackles performance measurement issues in a hybrid organisational setting. Given that Alpha blends the roles of its customers and owners, direct beneficiaries (i.e. customers/owners) can effectively participate in the decision-making process; hence, this permits real democratic participation. Simultaneously, it pursues societal values, such as supporting cultural, sports, and educational initiatives for the local community. Hence, the company addresses not only the needs of its members that are manifested in its mutuality nature but also the needs of the non-members that are manifested in its nature of hybridity. Yet, the necessity of measuring the performance of the mutual company has been complicated by the multiple values it has been pursuing. Emerged value constellations can be graphically illustrated in Figure 12.3.

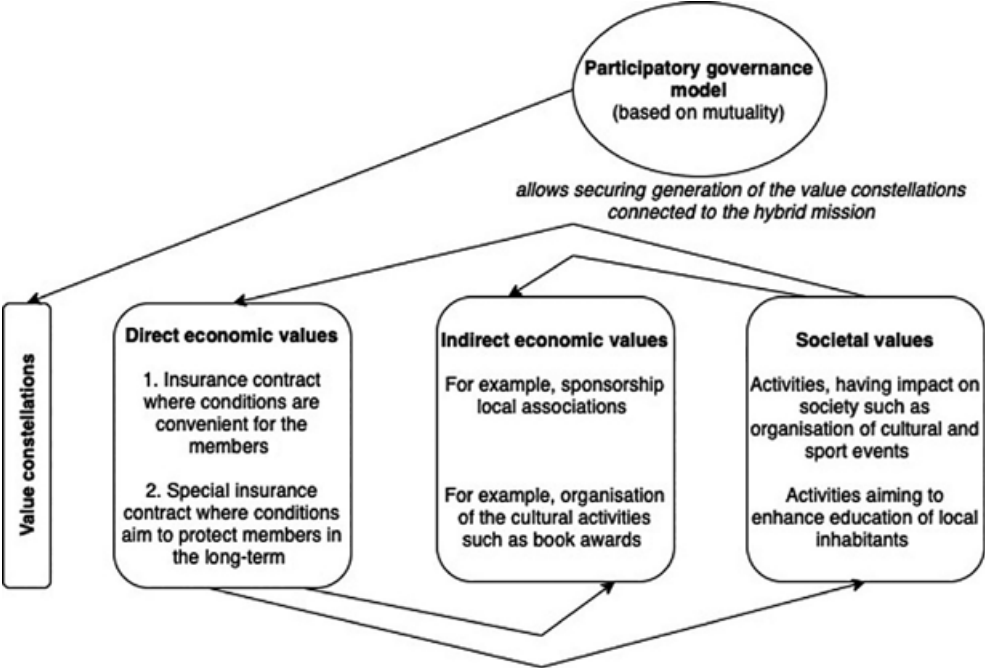


Figure 12.3 Alpha’s created value constellations

The analysis of Alpha revealed several measurement issues that potentially resulted from the combination of the hybridity and mutuality natures. First, despite the criticism often attached to social and environmental reporting (Bebbington and Larrinaga, 2014; Cho et al., 2015), Alpha developed a detailed methodology to measure the delivery of societal values to its non-members, or in other words, its societal impact on the community. The fact that Alpha provides ample disclosure regarding the achievement of its social mission addressed to the community can be related to the existence of a sound tradition of social and environmental

reporting (Antonini, Beck and Larrinaga, 2020; Ebrahim et al., 2014), which seems to inspire growing regulative efforts at the national and European levels to a certain extent.

Second, the idea that the mutual aid obtained by the members through the subscription of an insurance contract can be measured fits with the exigency of developing tailored measures connected to mission achievement in hybrid and non-profit arenas (Costa and Pesci, 2016; Grossi et al., 2019). Obviously, in producing new and non-standardised forms of measurement, the efforts should be in the direction of avoiding the mere legitimacy intent widely documented in the literature (Bebbington and Larrinaga, 2014), which can motivate policymakers of NFR. Thus, the disclosure offered on this facet of the hybridity of Alpha can be improved and enriched in terms of both readability for non-experts in the field of economics and details regarding computation for experts.

Third, Alpha combines the hybridity and mutuality natures, especially in its ownership structure, which has received the controversial and mixed opinions of scholars. Despite the claim to be democratic by engaging multiple stakeholders in the governance process, there is increasing concern that, in reality, it has been failing to empower minorities (Alexius and Furusten, 2019; Fischer, 2012; Hickey and Mohan, 2004; Sardiello et al., 2019). Here lies the major caveat in the performance measurement of PG: the existing frameworks do not assess the degree of participation, which subsequently leads to the failure to see the consequences and real impact of the participatory approach. Considering the tendency of organisations to disclose only positive information, the dearth of efforts by companies such as Alpha to develop measures to track participation must be compensated for by a regulative effort. As such, policymakers' efforts can be directed to induce disclosure on the most delicate facet of PG, namely the real extent of participation in the model. Therefore, novel techniques are needed to effectively measure the degree of participation of its members. Given the evidence that organisations tend to disclose only positive information, efforts to develop measurement techniques to track participation must be supported and further guided by policymakers. In this respect, regulatory initiatives akin to the CSRD are the initial steps towards mandatory rule-based legislation.

However, the analysis of the CSRD with respect to hybrid organisations revealed several limitations that might jeopardise effective non-financial measurement and disclosure:

1. The CSRD proposes disclosing information on the organisation's governing bodies within the 'Governance' category. However, in the PG arrangement, there is a blurred line between the information on governance and its impact on stakeholders, since its direct beneficiaries are already present in the ownership. Hence, there is a premise to anticipate that social and governance standards will not talk to each other and will rather be loosely coupled.
2. The CSRD lacks key performance indicators (KPIs) that capture the degree of participation and contribution of stakeholders to the achievement of an organisation's mission.
3. The EFRAG considers only risks related to lending and insurance; consequently, the differences in governance arrangements (for instance, traditional versus participatory) have been ignored. In hybrid organisations, risks potentially come from the unequal empowerment of members, in addition to conventional risks associated with lending and insurance activities.
4. The EFRAG defines the pivotal role of KPIs as 'to monitor and assess the progress against sustainability-related targets' (EFRAG, 2021b, p. 21), which, however, de facto omits the

assessment of the performance of governance. Arguably, disclosure of the role and composition of an organisation's administrative, management, and supervisory bodies conveys limited information about such bodies' performance, not to mention the information on the degree of participation of stakeholders.

5. Another issue is related to the Italian context of insurance and banking. The EC's regulative initiatives to implement mandatory measurement and disclosure potentially will result in a vain attempt, as the Italian regulators do not recognise innovative forms of governance and therefore attempt to transform mutualistic governance into limited liability.²

These comments call for treating these hybrid organisations differently from organisations with traditional governance arrangements. However, to date, there is no such framework that can reliably measure governance factors. It is therefore reasonable to expect that the CSRD has not incorporated the features of PG.

CONCLUDING REMARKS

In this paper, performance measurement was analysed through the lens of PG associated with the intertwined logics of hybridity and mutuality within a single organisational setting. Specifically, we argue that a potential accountability deficit remains in PG despite the embedded democratic principles, which calls for a more sophisticated and multidimensional measurement system along with enhanced legal requirements.

Given the nature of mutual organisations, where PG is executed by blending the roles of customers and owners, democratic principles guard the interests of minorities. Indeed, there is evidence that this organisational arrangement yields more comprehensive outcomes (see Fischer, 2012; Osmani, 2008). Mutual organisations can be seen not only as particular forms of hybrid organisations resulting from the evolution of the New Public Governance (NPG) (Osborne, 2006) and co-created governance systems (Bentzen, 2022), but also as innovative arrangements to address the short-termism and narrow financial perspective that are inherent in traditional governance (Unerman et al., 2018). Nevertheless, the execution of democracy is rather questionable, given the lack of mechanism to measure the degree of participation and contribution of these customers/owners to mission attainment (Sardiello et al., 2019). To date, the claim that PG empowers the less powerful stakeholders by including everyone in the governance process is supported only by simple measures, such as the number of votes and the number of attending stakeholders at the annual general assembly.

In this chapter, we sought to contribute to the literature on hybrid organisations, particularly to the literature on PG and mutual organisations (Ebrahim et al., 2014; Grossi et al., 2019; Sardiello et al., 2019; Vakkuri and Johanson, 2021). Through the case study of Alpha, we showed that there is a need to develop a tailored measurement technique that could capture different aspects of hybridisation. In particular, we have shown that hybrid organisations disclose several measurements devoted to recording the achievements of those facets of the mission that entail benefiting the community. These measurements, however, provide a partial picture of the mutual nature of a hybrid organisation. However, what we consider internal facets of hybridity in relation to the *raison d'être* of a mutual organisation, which entails benefiting members and guaranteeing participation in the governance model, still require development in terms of measurement tools (Chapter 17 in this volume). The issue of measuring participation,

in particular, is connected to democracy and cannot be ignored (Alexius and Furusten, 2019; Fischer, 2012; Hickey and Mohan, 2004).

Lastly, neither regulation supports the measurement of innovative forms of governance: an example of the CSRD, which rightfully can become the most advanced directive to enhance non-financial accounting and disclosure, de facto disregards measurement issues vis-à-vis governance. Hence, an important implication of this study is directing the attention of policy-makers towards PG models.

This study offers an avenue for further research related to the investigation of how hybrid organisations will be engaged in developing tailored and more sophisticated techniques to measure the specificity of ‘hybridisation’. This includes, but is not limited to, the dual mission achievement, degree of participation in the governance, and the impact of various factors (i.e. educational background, skills, experience, comprehension of received information, and others) on participants’ engagement.

NOTES

1. The CSRD amends existing EU directives, namely Directive 2013/34/EU (the Accounting Directive), Directive 2004/109/EC (the Transparency Directive), Directive 2006/43/EC (the Audit Directive), and Regulation (EU) No 537/2014 (the Audit Regulation), as regards corporate sustainability reporting (EC, 2021a).
2. In Italy, insurance companies fall under the control of IVASS (Istituto Vigilanza Assicurazioni) and Banca d’Italia. Considering their goals, the regulators have difficulties in addressing the different forms of governance and the varying significance of profits. In this sense, the way pursued by Italian law regarding the mutualistic banks, which have been transformed into the limited company imposed by the Law Decree 3/2015 (Banche Popolari) and Law 49/2016 (Banche di Credito Cooperative), is clear. The reason behind these reforms is that banks and insurance companies with non-conventional forms of governance have difficulties in raising equity in the stock market. With the aim of enforcing the equity of banks and insurance companies, both regulators are pushing for a maximisation of profits, which is sometimes not compatible with innovative forms of governance.

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13. The design and use of a digital PMS, and the emergence of gaming logic: the experience of the Italian Ministry of Culture

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INTRODUCTION

This chapter explores the process of the design and use of a digital performance measurement system (PMS), intended to be a system in which the data collection, translation into indicators, and reporting are digital in nature, emphasising the complexity and challenges of public sector accounting and accountability. There is now considerable literature on the digital transformation processes faced by governments, with studies discussing the impacts of digital technologies on citizens and society, tackling issues related to the transparency of governments and participatory approaches (e.g., Grossi, Meijer and Sargiacomo, 2020) or the managerial and technological challenges connected with the digital transformation processes (e.g., Gil-Garcia, Dawes and Pardo, 2018). Far less attention has been devoted to the role of digital transformation for public sector accounting (Agostino and Costantini, 2021; Arnaboldi, Robbiani and Carlucci, 2021; Di Vaio, Hassan and Alavoine, 2022), where more studies are claimed to empirically support the discussion on the implications of digital data and digital technologies for a PMS in the public sector (Agostino and Arnaboldi, 2016; Agostino, Saliterer and Steccolini, 2022; Fosso Wamba et al., 2021; Margetts, 2011; Sardi et al., 2022; Vallurupalli and Bose, 2018; Van der Voort et al., 2019). Studies have begun to emerge in this field, with some authors investigating how digitalisation affects the role of management accountants (Carlsson-Wall et al., 2022; Lino, Busanelli de Aquino and Neves, 2022) or the effects of social media accounting practices on service users (Arnaboldi and Diaz Lema, 2022; Polzer and Goncharenko, 2022).

An aspect that has been less investigated is the process of designing and using a *digital PMS*; that is, a PMS in which the data collection, data analysis, and data reporting take place online. Such digital data often include online user-generated data (UGD), comprising data derived from online reviews, social media posts, and comments that are voluntarily produced by users online and in real time. These UGD have been claimed as being potentially crucial in supporting performance measurement and management due to the possibility of exploiting data generated by users without requiring structured feedback, in opposition to what happens with surveys (e.g., Agostino, 2018; Agostino and Arnaboldi, 2019; Agostino, Arnaboldi and Azzone, 2018; Arnaboldi, Busco and Cuganesan, 2017; Chianese, Marulli and Piccialli, 2016; Gitto and Mancuso, 2017; Hu and Trivedi, 2020). Literature on public sector accounting has begun devoting attention to the potentialities of UGD for performance measurement, emphasising the benefits that UGD offers in performance measurement and management, although mainly from a theoretical perspective (see Agostino et al., 2022, for a review). In this respect, only a few authors in the public management literature have proposed a set of metrics and

methodologies to extract value from UGD. For example, Bonsón, Perea, and Bednárovác (2019) extracted information on the engagement of citizens regarding local municipalities defining a set of metrics that count the number of comments to and retweets of tweets of local municipalities in comparison to the number of citizens following the corresponding Twitter account. Though this example testifies to the interest of public management literature in the extraction of value from UGD, there remains limited evidence on the empirical applications of these data for accountability purposes in public administration (Agostino et al., 2022; Fosso Wamba et al., 2021; Leoni and Parker, 2019; Leoni et al., 2022; Margetts, 2011; Masiero, Leoni and Bagnoli, 2022; Sardi et al., 2022).

This chapter links the literature on digital transformation in governments to the literature on performance management systems, exploring the process of design and use of a digital PMS. More specifically, this study addresses the following research questions:

- How is a digital PMS designed, and what are the main accounting challenges?
- How is a digital PMS used, and what are the accountability implications?

These questions are addressed in consideration of the case of the Italian Ministry of Culture, which promoted a digital transformation process at the central and peripheral levels via the enactment of the so-called Franceschini Reform (i.e., Legislative Decree No. 83 of 31 May 2014). One of the core aspects of the reform was the introduction of a digital PMS intended to provide the central government and museum directors with real-time data on the online reputation of state museums.

Findings revealed that the design and use of a digital PMS is a complex process characterised by technological and organisational challenges, mainly connected to the activities of selecting and interpreting the algorithm for data analysis. The technical challenges relate to the choice of the algorithm to be used, which requires a knowledge of the types of data sources and approaches to data analysis. These technical choices are strictly connected to the organisational issues regarding who should be engaged in the process of defining and selecting the algorithm for data analytics and who is accountable for this definition and selection. The empirical findings showed that both museum directors and communication staff at the central government are pressed by the existence of online rankings based on algorithms, searching for strategies to improve their position within the ranking scheme. Moreover, we observed that different interpretations of algorithms for data analytics can stimulate gaming logic among organisations, pushing them to modify their actions to follow the dynamics of the algorithms at the base of the digital PMS so as to improve their position in the ranking provided by the digital PMS.

These aspects are discussed in this chapter, which is organised into four main sections. The second section gives background knowledge on literature on digital accounting in the public sector, as well as the reference framework on digital PMS design and use. The third section presents the methodology, which is followed by the analyses of the empirical case, presented in the subsequent section. Finally, the fifth section presents a critical discussion of the results, highlighting the limitations of the study and the academic and empirical implications.

PERFORMANCE MEASUREMENT SYSTEMS AND DIGITAL GOVERNANCE

Studies on performance management systems have dominated the public sector literature since the 1980s, with the efficiency, effectiveness, and economy indicators initially developed in the UK under Thatcher's government (Gruening, 2001). New Public Management (NPM) and New Public Governance (NPG) literature has dominated the public sector accounting research field for more than 30 years, with several studies investigating the technical aspects connected to performance measurement in the public sector as well as the organisational implications and effects related to the adoption of performance management systems in public administration (Chapter 16 in this volume; see also Funck and Karlsson, 2020, for a review).

Despite more than 30 years of research on performance management systems, this topic is still at the forefront of academic and practitioner research due to the high complexity of investigating the adoption of a PMS in the public environment in connection with the significant challenges brought about by the internet and online technologies (e.g., Sardi et al., 2022), often referred to as digital governance or e-governance (e.g., Dunleavy et al., 2006; Gil-García et al., 2018; Nørreklit, Jack and Nørreklit, 2019). In particular, the wide diffusion of digital practices has led to the possibility of exploiting UGD for performance measurement (Saura, Ribeiro-Soriano and Palacios-Marques, 2021). Aside from allowing users to become active generators of contents on social media, blogs, and websites, such online data actively produced by users represents new types of data with respect to the traditional public administration for a variety of reasons, including the following (see also Arnaboldi et al., 2017):

- Openness: These data are available to anyone who has access to an internet connection and the specific online platform.
- Timeliness: Online data are generated in real time, condensing into a unique timeframe the activities of data collection, data analysis, and data reporting.
- Volume: Online data are continuously generated, giving rise to 'tera-size' data.
- Variety: Online data are comprised not only of numbers, but also of text, pictures, and reactions, as likes or dislikes.
- Involuntariness: Online data are not developed with the purpose of monitoring performance; instead, they represent a 'by-product' of social media conversations or discussions on blogs or online reviews.

These distinctive features of UGD may have several implications for public sector accounting and accountability, as highlighted in the available studies, which can be distinguished according to the following two main streams: studies focused on the *design* of a PMS that adopts UGD, and studies focused on the *use* of a PMS that adopts UGD.

The first stream of studies on the design of a PMS focuses on the potentialities of UGD in terms of performance measurement, proposing key performance indicators (KPIs) or algorithms that can be used to collect and translate an enormous set of online data into actionable measures (e.g., Agostino and Arnaboldi, 2016, 2019; Agostino and Sidorova, 2016; Begkos and Antonopoulou, 2020; Bonsón et al., 2019; Chianese et al., 2016; Sardi et al., 2022; Sidorova, Arnaboldi and Radaelli, 2016). For example, Bonsón and Ratkai (2013) developed a set of indicators to quantify the engagement on corporate Facebook pages. Similarly, Sharma and Srivastava (2017) defined an indicator to capture electronic word-of-mouth on social media. These studies are critical in underlining the theoretical complexities of the design of

measures based on digital data; however, they do not reflect the current practices of public administration in designing a digital PMS.

The second stream of studies is instead dedicated to the use of a PMS that adopts UGD, focusing on the implications of the actual usage of these data for government. Studies in this stream emphasise the unintended effects connected to the usage of digital data (e.g., Fosso Wamba et al., 2021), such as the risks of losing transparency in reporting data, the controversial effects connected to citizens' surveillance, or the difficulties in ensuring the inclusion of all the categories of citizens when leveraging digital data (e.g., Lourenço, 2013). For example, Boudreau (2021) focused on the reuse of open data in Quebec, emphasising the active role of citizens in co-production activities. Similarly, other studies have emphasised the need for more transparency when relying on open data (Ruijter et al., 2020).

Within this context, there is less evidence regarding how a given public administration designs and uses a digital PMS as well as the accounting and accountability challenges connected to these two phases. The present study addresses this issue, considering, in line with the available literature, two main dimensions of analysis—the design of a digital PMS and the use of a digital PMS.

Digital PMS Design

PMS design entails the process through which data are collected and KPIs defined. When used in a digital environment, the activities of data collection and the definition of KPIs are developed alongside a new requirement—the definition of the algorithm to set the KPI. Indeed, algorithms are used to translate a significant amount of digital data into a few sets of measures. More generally, algorithms have been defined as ‘encoded procedures for transforming input data into a desired output, based on specified calculations’ (Gillespie 2014, p. 1). The procedure of algorithm definition has been acknowledged by the available literature as a challenging task (Gualdi and Cordella, 2021), with studies underlying the opaque nature of algorithms, the possibility to manipulate the data behind algorithms, the limited transparency for end-users as to how measures are derived from algorithms, and the extent to which algorithms represent a form of control (Belle and Papantonis, 2021; Buhmann, Paßmann and Fieseler, 2020; Träskman, 2022; Yu, 2022). In this study, we start from a different viewpoint than previous research in placing emphasis on how a central government addresses the complexity of defining the algorithm, as follows: the central government is not subject to an algorithm defined by an external agent—for example, a digital platform—and is instead in control of providing guidelines to a given technical provider as to how the algorithms serving as the base of the digital PMS should be defined. Hence, the algorithms are not implicit or offered as black boxes to the public administration, as often happened in previous research (e.g., Leoni and Parker, 2019); rather, the activity of defining the algorithms is led by the public administration.

Digital PMS Use

PMS use is instead intended to comprise the process through which end-users ultimately exploit the system of KPIs to support decision making. At this level, the current literature addresses the challenges connected to the reliance on digital data, such as transparency in disclosing information, the accessibility of the digital data, and the empowerment of users connected to the possibility of generating data and exerting control on digital platforms (see

Agostino et al., 2022, for a review). In this study we address the use of a digital PMS, with emphasis on the implications of accountability connected to the adoption of specific digital data—i.e., online UGD—by a central government and the connected peripheral units. In particular, we leverage the concept of hybridity (Grossi et al., 2017) to consider whether and how the traditional (vertical) accountability logic of public sector institutions interplays with the more horizontal accountability logic of social media and online UGD. While ‘hybridity’ is typically used to refer to organisations that highlight a combination of different governance forms, in this context we use it to refer to the hybridisation of accountability practices using a combination of different logics—the logic of the end-user of the digital platform and the logic of the public institution.

Given these two dimensions of digital PMS design and use, in the remainder of this chapter we explore how a digital PMS is designed and implemented in a public sector context, and the implications for accounting and accountability practices.

RESEARCH CONTEXT AND METHODS

This chapter is based on an exploratory longitudinal case study (Yin, 2004) of the Italian Ministry of Culture. The empirical case of the Italian Ministry of Culture is considered an exemplary case for investigating the design and use of a digital PMS, as in 2014 the ministry enacted the so-called Franceschini Reform, which fostered the digital transformation of Italian cultural institutions, ushering them through the development of a digital PMS (see ‘The Ministry’s Digital Transformation Strategy’ below for additional details) to develop digital strategies to promote cultural heritage and assets, monitor their brand reputation, and contribute to the spread of digital conversations connected to culture.

Since the early introduction of the digital PMS (July 2018) and for the subsequent two years (until March 2021), the authors had the opportunity to interact with informants from both the central government unit (i.e., the general director and communication staff of the museum section of the Italian Ministry of Culture) and the peripheral units (i.e., museum directors). These interactions, occurring on a monthly basis, have facilitated the investigation of the design and use of the digital PMS. Data were collected from a variety of sources, including primary sources—such as interviews, workshops, and observations—and secondary sources, such as archival data and the online UGD of state museums.

In terms of secondary sources, the authors analysed different materials, including archival data (ministry reforms, the contract with the external provider, curricula of informants, etc.) and online sources (the ministry’s and museums’ websites; social media accounts on Facebook, Instagram, and Twitter; online reviews on TripAdvisor; and email exchanges with researchers and external providers). The text of online UGD has been quantitatively analysed to automatically extract the sentiment of messages, measuring it through a number between -1 (extremely negative) and +1 (extremely positive). This has been done through a BERT model (Devlin et al., 2018) pre-trained specifically on online UGD written in Italian.¹ To identify online UGD that discussed specific museum services, we used a keyword-based text classifier based on service categories defined from the standards delineated by the ministry in Legislative Decree No. 83 of 31 May 2014 (for additional methodological details, see Agostino et al., 2021).

In terms of primary sources, different informants were interviewed in depth and observed during physical and online events such as meetings and workshops (LeCompte and Schensul,

2010; Locke, 2011). Beyond monthly phone calls and emails with informants from the ministry and museums, the researchers also participated in more than five workshops, which allowed us to better understand the dynamics of the interactions among informants. Two workshops, held in late autumn 2020 and early spring 2021, served as proof of concept of the digital PMS. Each interaction with the central and peripheral actors allowed us to gain information regarding the expectations and necessities of the revision of the digital PMS. These interactions allowed the authors to monitor the process of the design and use of the digital PMS and to understand its criticalities, barriers, and challenges. Insights from all sources have been triangulated and analysed, taking as a reference point the two main dimensions of digital PMS design and use.

RESULTS: THE EXPERIENCE OF THE ITALIAN MINISTRY OF CULTURE

This section presents the implementation of the digital PMS, considering both its design and use, as well as underlining the accounting and accountability implications.

The ministry's digital transformation strategy

In 2014, the Italian Ministry of Culture began a digital transformation process with the enactment of the Legislative Decree No. 83 of 31 May 2014 and the subsequent legislation, also known as the Franceschini Reform, in the name of the ministry. The reform was broad, and intended to drive innovation in cultural sector institutions by leveraging three main axes.

The first axis was financial autonomy. Before the reform, state museums did not have financial autonomy and therefore their own budget and balance sheet. Yet, they were considered to be delocalised offices of the central ministry. The reform provided financial autonomy to an initial sample of 18 museums, hence called 'autonomous state museums' and endowed with a director, budget, and annual report.

The second axis concerned the assessment of service quality. Before the enactment of the reform, service quality was not considered to be a parameter for museum evaluation. The purpose of assessing museum service quality was achieved with the introduction of a set of minimum quality standards (see also 'Decreto Ministeriale 113 del 21/02/2018 relativo ai livelli uniformi di qualità'²) intended to act as a set of KPIs with predefined target levels to be achieved by each museum in order to be considered 'sufficient' in service delivery. The final aim was including within an Italian network of museums those museums achieving a value of at least 6 out of 10.

The third axis was the enhancement of digital transformation practices in museums. The final aim was giving value to the heritage assets and increasing the attractiveness of museums through digitalisation. The idea behind this was that by leveraging digital technologies, a set of visitors less inclined to be drawn to such culture would become interested in museums and cultural heritage. Hence, technology was considered to be the driver of attracting new audiences, renewing internal practices, as well as supporting a digital PMS, to assess the online reputation

of Italian state museums, also according to the analysis of UGD. The required distinctive features of this digital PMS were the following:

- A real-time system, showing a set of KPIs on a real-time basis. This means that the indicators could be accessed in real time by the expected end-users (i.e., the staff of the ministry and the museum directors). This real-time functioning was intended to allow interactions and to immediately address service problems to guarantee the prompt improvement of the quality of the services delivered.
- A multi-user system, to be used at both the central (i.e., ministry) and peripheral (i.e., each individual museum) levels. At the central level, the digital PMS was intended to be used by the General Directorate of Museums to monitor the performance of all the Italian state museums. At the peripheral level, the digital PMS was intended to be used by museum directors to provide them with real-time information on the performances of their museums, including the comparison with the average national values.
- A user-fed system, intended as a PMS system fed by UGD generated by actual users of the museums, hence including both online social media interactions—such as likes and follows of a page—and textual contents, such as the text of online reviews written by museum visitors on TripAdvisor.

This system was considered to be a significant innovation by the central government, as highlighted by the General Directorate of Museums, which stated:

I want to develop a system like the one to buy product on Amazon, where consumers choose a product based on reviews by other users. I'd like to have the same for museums with visitors selecting which cultural attraction to visit based on reviews by others. But these reviews are not only the rating on TripAdvisor; it is something that includes more specific information on museum communication, museum activities, quality of services ... pretty much like the different categories we have with hotels. (General Directorate of Museums, 2018³)

The digital PMS was intended to be initially tested on a sample of 100 state museums and, after an initial pilot phase, to be extended to all Italian state museums (i.e., 492 institutions). The sample of museums was selected by the central government, striving for heterogeneity in terms of size, geographical location, and type of collection. This led to a final sample of museums that included both the largest Italian museums, such as the Colosseum and Uffizi, as well as smaller museums in less touristic areas. The present study focuses on this activity of digital PMS design and use for the sample of 100 state museums, as discussed in the next sections.

Digital PMS Design and the Heterogeneous Views Provided by the Algorithm

The first phase of the digital PMS realisation consisted of the design of the system, which included the activities of data collection, KPIs development, and definition of the algorithm for data analysis. These activities resulted in a digital platform that could be accessed in real time by both the central government and each peripheral unit—namely, each museum (see Figure 13.1).

While data collection and the definition of KPIs are activities that characterise every PMS design process, the algorithm definition is peculiar to the digital PMS, which is the focus of our analysis.

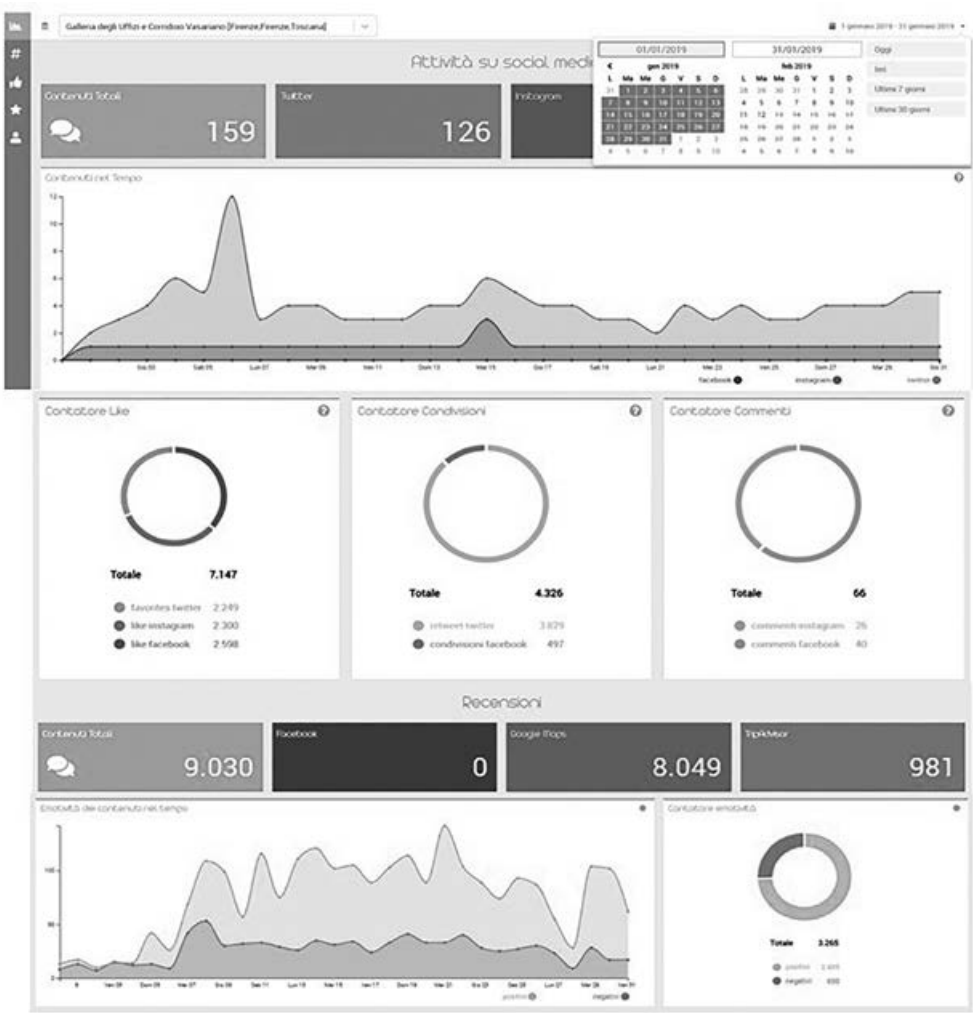


Figure 13.1 *Layout of the digital PMS*

In the early stage of the digital PMS design, the communication staff of the ministry, with the technical support of the external provider, identified the official online pages of museums on Facebook, Twitter, Instagram, and TripAdvisor, as well as the KPIs to be calculated, here summarised in Table 13.1.

The main challenges occurred with the selection of the algorithm to translate textual UGD from TripAdvisor into the previously defined KPIs about online satisfaction and the perception of museum services. The algorithm was intended to transform the textual data written by users in TripAdvisor reviews into a synthetic measure of the content of the discussions and the opinions behind some dimensions of museum services. This activity led first to the emergence of technical and organisational issues, and later to accountability implications. The external provider indicated the possibility of adopting two different types of algorithms:

Table 13.1 PMS design: List of KPIs developed in the PMS design phase for the j^{th} museum monitored

Indicator	Metric	Platform
Online liveliness of museum	$\sum_i \frac{\text{Number of posts published by the } i^{\text{th}} \text{ account}}{\text{Total number of accounts}}$ with i = account of the j^{th} museum on the selected platform	Facebook Twitter Instagram
Online reach of museum	$\sum_i \frac{\text{Number of users following the } i^{\text{th}} \text{ account}}{\text{Total number of accounts}}$ with i = account of the j^{th} museum on the selected platform	Facebook Twitter Instagram
Online engagement per fan of museum	$\sum_i \frac{\text{Number of interactions to posts published by the } i^{\text{th}} \text{ account}}{\text{Number of users following the } i^{\text{th}} \text{ account}}$ with i = account of the j^{th} museum on the selected platform	Facebook Twitter Instagram
Online engagement per post of museum	$\sum_i \frac{\text{Number of interactions to posts published by the } i^{\text{th}} \text{ account}}{\text{Number of posts published by the } i^{\text{th}} \text{ account}}$ with i = account of the j^{th} museum on the selected platform	Facebook Twitter Instagram
Online engagement per post and fan of museum	$\sum_i \frac{\text{Number of interactions to posts published by the } i^{\text{th}} \text{ account}}{(\text{Number of posts published by the } i^{\text{th}} \text{ account}) * (\text{Number of users following the } i^{\text{th}} \text{ account})}$ with i = account of the j^{th} museum on the selected platform	Facebook Twitter Instagram
Hashtag usage	$\sum_i \frac{\text{Number of posts with hashtag published by the } i^{\text{th}} \text{ account}}{\text{Number of posts published by the } i^{\text{th}} \text{ account}}$ with i = account of the j^{th} museum on the selected platform	Facebook Twitter Instagram
Reviews' amount	$\sum_i \frac{\text{Number of reviews received by the } i^{\text{th}} \text{ account}}{\text{Total number of accounts}}$ with i = account of the j^{th} museum on the selected platform	TripAdvisor

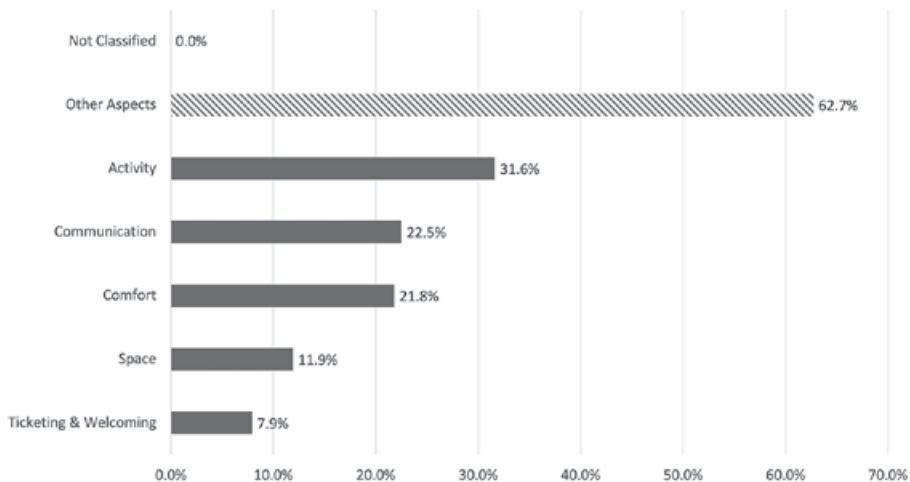
Indicator	Metric	Platform
Online rating by review	$\sum_i \frac{\text{Rating of reviews received by the } i^{\text{th}} \text{ account}}{\text{Number of reviews received by the } i^{\text{th}} \text{ account}}$ with i = account of the j^{th} museum on the selected platform	TripAdvisor
Online perception	$\sum_i \frac{\text{Average sentiment of the review received by the } i^{\text{th}} \text{ account}}{\text{Number of reviews received by the } i^{\text{th}} \text{ account}}$ with: with i = account of the j^{th} museum on the selected platform sentiment measured as a number between -1 (extremely negative) and +1 (extremely positive)	TripAdvisor
Online perception of services	$\sum_i \frac{\text{Average sentiment of the review talking about services received by the } i^{\text{th}} \text{ account}}{\text{Number of reviews received by the } i^{\text{th}} \text{ account}}$ with: with i = account of the j^{th} museum on the selected platform sentiment measured as a number between -1 (extremely negative) and +1 (extremely positive) reviews talking about services detected through keyword-based text classifier	TripAdvisor
Online satisfaction for services	$\sum_i \frac{\text{Number of positive reviews on services for the } i^{\text{th}} \text{ account}}{\text{Number of reviews on services received by } i^{\text{th}} \text{ account}}$ with: with i = account of the j^{th} museum on the selected platform sentiment measured as a number between -1 (extremely negative) and +1 (extremely positive) reviews talking about services detected through keyword-based text classifier	TripAdvisor

- *Top-down* algorithm: This would automatically classify TripAdvisor reviews according to the service categories already identified by the ministry in the reform based on the presence or absence of specific keywords in the text of the reviews.
- *Bottom-up* algorithm: This would automatically classify TripAdvisor reviews according to some service categories automatically detected within the words of the reviewers, computed by means of similarities among words written by users, without any presumption of the ministry in terms of service categories.

Selecting the algorithm was left to the communication staff of the ministry, who opted for the top-down approach, with the choice motivated as follows:

When we prepared the public tender, we already defined a set of service quality standards that we expect from museums. For this reason, we want an evaluation aligned with those quality standards and, as far as I understood, the top-down approach allows this result. (Communication staff of ministry, 2018)

Accordingly, the external provider applied the top-down approach; however, its application resulted in a limited number of reviews classified within the five predefined categories defined by the ministry. As shown in Figure 13.2, 63 per cent of the analysed reviews were classified as covering *Other Aspects*, indicating that the algorithm was not assigning these reviews to any of the five museum quality dimensions identified by the ministry.



Note: The percentages do not total 100 per cent because the 'top-down' approach adopted allows reviews to be classified simultaneously in more than one 'top-down' category.

Figure 13.2 Proportion of reviews associated to 'top-down' categories (solid bars) and to none (striped bar)

Table 13.2 ‘Bottom-up’ quality dimensions derived from the text of online museum reviewers

‘Bottom-up’ quality dimension	Latent topics names	Most probable words
Museum Cultural Heritage	Artistic Collection, Exhibitions and Findings, Castles and Views, Churches and Religious Antiquity, The Museum from Outside, Museum’s History and Tradition	Museum, exposition, floor, room, collection, church, century, fresco, building, structure, marvel, wonder, beauty, artwork, art, gallery, masterpiece, castle seen, inner, landscape, panorama, suggest, external, garden, villa, park, palace, fountain
Personal Experience	Emotional Visits, Revisits and Expectations, At least once!, Unfortunately	Visit, day, suggest, time, place, emotion, experience, see, years, remain, pity, just, personal, tourist, unfortunately
Museum Services	Accessibility and Transports, Guided Tours, Ticketing (purchase, price, book)	See, guide, appreciate, organise, path, accompany, explain, tour, ticket, entry, euro, queue, reservation, cost, price, entry, site, park, reach, close, foot, walk, convenient, easy

Note: For each ‘bottom-up’ dimension, the corresponding latent topics and most probable words are reported.

When obtaining these results, the communication staff of the ministry were not satisfied, as they were not able to understand the reasons why 63 per cent of the reviews did not fall into the service categories they had expected. The external provider explained that this result was due to the fact that the categories defined by the ministry were not necessarily discussed by the museum visitors, who were instead likely interested in aspects other than those expected by the ministry. To showcase this, the bottom-up algorithm was applied by the external provider. More specifically, the external provider implemented an unsupervised topic-based model that simulated the museum visitors’ perspectives through a technique called Latent Dirichlet Allocation (LDA) (Blei, 2012). This supported the identification of the quality dimensions of museums detected from online reviews in the form of aspects discussed with similar words by online reviewers. The word ‘latent’ refers to the fact that these topics were not defined a priori by the ministry but rather hidden within the words through which online reviewers described their experiences at the museum. Due to this peculiarity of the LDA model in detecting hidden topics, applying this technique can lead to the identification of dimensions of visitors’ interests that are potentially new to the decision makers. The bottom-up approach generates clusters of similar words that represent latent topics, which requires manual expert intervention to provide a proper interpretation. Following this bottom-up approach, the external provider obtained 13 latent topics (i.e., the grouped words, as in Table 13.2) that needed to be interpreted to explicitly connect the topics to the interests of the museum visitors. At this stage, a further problem emerged: who should take charge of interpreting these emergent categories? When asking the communication staff of the ministry how they would have liked to manage this choice, this was their response:

We prefer to leave this technical activity to the external provider as this is a technical aspect related to the algorithm. (Communication staff of ministry, 2019)

This caused the definition of a revised set of categories entirely driven by the provider—namely, the three ‘bottom-up’ quality dimensions shown in Table 13.2 derived from the interpretation of the 13 latent topics.

This was not the only empirical example of the contested interpretation of the algorithms that we observed in the digital PMS design for the Italian Ministry of Culture. We also observed that the insights derived from the analysis of numerical ratings automatically computed by TripAdvisor could lead to interpretations completely different from that based on the application of an algorithm to analyse the sentiment of online users—computed from the written text of online reviews describing their museum visit on TripAdvisor.

For example, we report here the text of one review that indicated a high TripAdvisor rating (4 out of 5 stars) but had an extremely low sentiment score (-0.72, where -1 is extremely negative and +1 is extremely positive).

If you want to take a leap into ancient Roman civilization, don't forget to book your ticket and guide! The Colosseum is pure art but the garbage around it cannot be seen, as well as the fact that animals with a leash and carrier cannot enter. At least the staff could be much nicer especially since the Colosseum is a fixed stop for every tourist. I do not recommend waiting in the sun to visit it. (Colosseum review on TripAdvisor, 2019)

The examples we extracted from the analysis of the digital PMS design phase for the case of the Italian Ministry of Culture empirically show the heterogeneous views that algorithms can provide, highlighting the apparently controversial role of the algorithm for the end-user of the digital PMS as follows: beginning with the same dataset, depending on the algorithm that is run, different results can be produced. Indeed, depending on the data sources (number or text) and on the algorithm adopted to analyse these data (based on a top-down or a bottom-up statistical approach), results may vary significantly. This behaviour is easily understood by end-users with technical analytical skills, who are deeply aware of the specificities of the analytical process behind the algorithm definition; however, the existence of different results may be perceived as controversial by non-technical end-users of the digital PMS. The empirical results observed during the design of the digital PMS are in line with the literature discussing the dynamics of the algorithms and data procedures in connection with the generation of decisions (De Bruijn, Warnier and Janssen, 2022) and with the legitimacy of algorithms (Grimmelikhuijsen and Meijer, 2022); however, our results also indicate the observation of controversial *uses* of the digital PMS, as empirically shown in the next section.

Digital PMS Use and the Emergence of Gaming Logic

The second phase of the digital PMS realisation relates to the use of the system. The digital PMS was intended to render museums accountable in real time at the central level, as well as to online users on digital platforms. As expected by the reform, the digital PMS was used at two main levels—at the central level, the system was used by the communication staff and the general director of the museum section of the ministry; at the peripheral level, it was used by museum directors and communication staff.

Specifically, the digital PMS was used by the central government to publish on the ministerial webpage a monthly ranking of the most appreciated museums in terms of online users' social media engagement and in terms of museum reviewers' comments on TripAdvisor. An extract from the ranking is available in Figure 13.3.

Most engaging museums' posts in the month

Below are the posts that engaged the most in September for each social media channel:

- the Facebook post of the Corsini Gallery (National Galleries of Ancient Art), +6% of the online audience engaged;
- the Instagram post of the Corsini Gallery, +16% of the online audience engaged;
- the Twitter post of the Archaeological Park of Pompeii, +12% of the online audience engaged.

Figure 13.3 Extract of the ranking generated by the digital PMS and published monthly by the ministry

Moreover, the apparently controversial results provided by the algorithm strongly affected the way in which the system was used by the museums. We observed that holding museums accountable for their online reputation on social media by means of an apparently controversial algorithm at the base of the digital PMS stimulated a sort of 'game' between museums. The publication of these rankings generated immediate reactions from the museum directors and communication staffs.

On the one hand, in various months we observed museums contesting the ranking and their resulting position within it. Specifically, they argued that their reputation based on the results of the digital PMS was not correct because the algorithm adopted within the PMS differed from that usually adopted by museums; indeed, they leveraged their own traditional algorithms to reinforce this argument. For example, one of the analysed museums complained about the computation of the ranking based on social media engagement, protesting that the social media engagement was different from that computed using its own algorithm:

Look here [pointing at their own computation on social media data]: our analysis is based on this algorithm and shows that our museum reaches a 4% of engagement for this month, while in the published monthly ranking we are not appearing. There are instead museums with less than a 4% ranking. (Head of communication of a museum, 2020)

On the other hand, in various months we observed the opposite behaviour—museums that were well positioned in the ranking generated by the digital PMS leveraged the monthly publication by the ministry to increase their visibility to their followers and posted their monthly achievements on their social media accounts.

It is interesting to note that these contrasting behaviours were not mutually exclusive within museums: depending on the monthly position in the ranking, we observed a gaming logic adopted by museums, with the same museum criticising in some months the ranking offered by the digital PMS in favour of internal calculations, and, in other months, promoting the position provided by the algorithm.

The apparently controversial interpretation of the algorithm and the pressure of the monthly publication of this ranking also stimulated this sort of gaming logic between the museums and the central level.

On the one hand, museums adopted the digital PMS with a gaming logic: though sometimes perceived as controversial, since its results were not aligned with the internal measures computed by the museum or gathered from the social media platform, the digital PMS has been adopted by museums to monitor their online reputation based on the information provided by

the digital PMS and to shape their online actions according to the results of the digital PMS. Indeed, the communication staff of the museums have often published innovative and novel posts, seeking confirmation of the effectiveness of their social media actions by means of the results of the ‘official’ ranking provided by the digital PMS. The controversial interpretation of the algorithm at the base of the digital PMS for the end-user was, however, showcased on many occasions by the necessity of museums’ interactions with the external provider in charge of maintaining and updating the digital PMS. Indeed, although museums were accessing the digital PMS in real time, they frequently asked the external provider to provide additional and certified feedback on the effectiveness of their social media actions. For example, the following is an extract from an email exchange between the communication staff of the central government and the external provider:

We have launched a new social media campaign and introduced some changes compared with previous online activities. Could you please [tell] us which is our position in the ranking [at] this moment? (Communication staff personnel of a museum, 2020)

On the other hand, the communication staff at the central government adopted a gaming logic towards museums leveraging the digital PMS. The staff frequently interrogated the digital PMS to understand where the ministry would have itself been positioned in the ranking compared to the individual museums. Specifically, the ministry frequently searched for confirmation about its online strategy in the online rankings generated by the digital PMS, asking the external provider for comparisons of its online reputation with one of the museums. Also in this case, controversial interpretations of the algorithm were observed, as the results of the digital PMS were not sufficient for the communication staff of the ministry to assess the effectiveness of the strategy. The pressure of competition with museums and the leveraging of the digital PMS to adopt gaming logic has been observed many times, as reported in this conversation regarding the engagement associated with the hashtag ‘#museitaliani’, the official hashtag by the communication staff of the ministry:

This month the posts leveraging on the #museitaliani are [few] compared with the previous month. But this is normal, we expected the hashtag #GEP to be emergent since this is the new campaign for this month. You keep using the wrong hashtag as this month we leverage on this initiative and you should show this trend rather than the one about #museitaliani. (Communication staff at the central government level, 2020)

The aforementioned examples extracted from the description of the digital PMS use phase for the case of the Italian Ministry of Culture provide empirical evidence of the implications that the heterogeneous views provided by algorithms may have in terms of digital PMS usage—specifically, the difficulty of end-users’ understanding of the algorithms is neglected in favour of understanding the implications of the decisions taken according to the dynamics generated by the algorithms. Indeed, we observed that, though museums’ and ministry staff did not fully trust the algorithms, they leveraged the results generated by them to embrace a gaming logic to tune their online actions and affect their final position established by the digital PMS. The empirical observations made during the usage of the digital PMS are in line with the literature discussing the changes that public institutions and governments are nowadays facing; that is, moving from the understanding of algorithms’ specifics to the understanding of decisions that are connected to the algorithms (De Bruijn et al., 2022). Indeed, we empirically observe

that the end-users of the digital PMS preferred the gaming logic connected to the usage of the system rather than understanding the differences among the algorithms provided and computed.

DISCUSSION AND CONCLUSION

Our empirical analysis of the design and use of a digital PMS at the central government level supports a critical discussion about the main accounting and accountability challenges connected to the design and use of a PMS feed with UGD.

At the accounting level, the main complexity was visible in terms of the design of the digital PMS, when the algorithm must be selected. The possibility of exploiting different types of UGD (numerical vs textual) and different types of statistical techniques (top-down or bottom-up) to run the algorithm led the ministry to perceive the results as contradictory. Indeed, the UGD and the algorithms able to process them are the essence of a digital PMS and what renders these systems different from the traditional PMS based on traditional financial or on non-financial data. The adoption of algorithms to feed a PMS has already been discussed in terms of how it impacts the organisation at different levels, such as altering the long-term relationships with employees and customers (e.g., Al-Htaybat and Alberti-Alhtaybat, 2022). Nevertheless, we empirically observed that the presence of multiple alternatives in choosing the algorithm was associated with the possibility of disclosing different types of results and generating a different ranking and position of the organisations. We observed that the dependence of an organisation's positioning on the adopted algorithm affected the trustworthiness of the system as well as posing further questions as to who should be in charge of selecting the algorithm itself. We have not only empirically recognised that the legitimacy and trust of the algorithm is compromised by the difficulty of interpreting the digital PMS results by non-technical staff (De Bruijn et al., 2022; Grimmelikhuijsen and Meijer, 2022), but we have also empirically identified the controversial role that algorithms can play in driving gaming logic among different institutions.

In the empirical case presented here, the choice of the algorithm was made by the communication staff, and accountants were entirely excluded from this decision. Can such a complex choice as the selection of the algorithm be externally delegated or made by the communication staff alone (cf. Chapter 3 in this volume)? What role should accountants have in this choice? Which competencies should be integrated into the professional path of communication if such roles are expected to be accountable for these accounting-related activities? Further reflections on this topic of the implications of the design of digital PMS on accounting are needed. For instance, stakeholder involvement has been recognised as a core part of the design of a PMS (Hristov and Appolloni, 2022), but the additional value that professionals can bring to algorithms in the form of tacit knowledge that comes from day-by-day practices still requires further exploration (De Bruijn et al., 2022; Van der Voort et al., 2019). Within the debate on the design of digital PMS (e.g., Bonsón and Ratkai, 2013; Bonsón et al. 2019; Sharma and Srivastava, 2017), our study empirically highlights the risks and complexities connected to the selection of the algorithm, leading to multiple views of the same organisation, that could be accounted for differently.

At the accountability level, the results showed how the online monthly ranking generated by the algorithm favoured a gaming logic among museums and between the central govern-

ment and museums levels. The pressure to be included in the top 10 museums on the monthly published list pushed communication managers to question the reliability of the algorithm, providing their own calculations but also promptly taking ad hoc online actions to increase and improve the organisation's position in the ranking. This is aligned with extant studies focused on the ethical design of social media content, since the logics and algorithms behind social media impact the strategies of social media users, even altering their behaviours (Saura et al., 2021). Moreover, our study enriches the debate on the changes that traditional accountability is undergoing in connection with the digital technologies and social media (e.g., Agostino et al., 2022; Leoni et al., 2022; Van der Voort et al., 2019). Extant literature has discussed how social media allows the enlargement and further personalisation of accountability, reducing the distance in time and space between the organisation and its public (e.g., Leoni and Parker, 2019), and placing online users at the centre of the conversation by showcasing their actions rather than those of the organisation (e.g., Masiero et al., 2022). The gaming logic we observed during the study shows that accountability in a digital PMS is driven by the logic behind the algorithm rather than by the need to provide insights into the code of conduct to the central government or general public. This result opens up reflections on the hybridisation of the role of accountability in the digital environment, combining two types of logic—on the one hand, the logic of UGD and social media data, connected with the pressure of being visible to online followers, and, on the other hand, the public sector logic to render results visible and transparent to citizens. The logic of UGD and social media data is connected to the digital platform and emphasised by the ranking offered by the algorithm; it is the ability to engage users on social media and the acquisition of positive reviews, alongside the type of algorithm adopted, that pushes actions within the organisation. When the desire to appear at the top of the ranking dominates, actions to revise the position provided by the algorithm are favoured. On the other hand, public sector logic is more traditionally related to the need to hold institutions accountable to stakeholders, being transparent on the performances of organisations. In the empirical case we analysed, this public sector logic is represented by the desire to keep museums accountable to the central government for the quality of museums' services. The development of a digital PMS combines these two logics, favouring the emergence of gaming behaviours among museums, focused on outperforming others at local and central level—achieving a higher position in the monthly ranking than other museums and the ministry—and over time climbing the ranking month by month to be part of the top 10 museums according to the digital PMS. These results can stimulate further reflections on the extent to which social media data and algorithms can push such gaming logic. Finally, it is also important to highlight that our research study emphasises the actual rather than the potential use of online UGD by focusing on a real experience of adoption of UGD within a PMS, which led to the identification of the challenges faced by public administration when using digital data.

NOTES

1. Available at: <https://huggingface.co/neuraly/bert-base-italian-cased-sentiment>.
2. Available at: <https://www.beniculturali.it/comunicato/d-m-113-21-02-2018-adozione-dei-livelli-minimi-uniformi-di-qualita-per-i-musei-e-i-luoghi-della-cultura-di-appartenenza-pubblica-e-attivazione-del-sistema-museale-nazionale>.
3. For more details, see <http://musei.beniculturali.it/en/structure>.

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PART V

REPORTING IN HYBRIDISED PUBLIC GOVERNANCE: THEORY AND PRACTICE

14. Whole-of-government reporting and network governance

Danny Chow and Elaine Stewart

INTRODUCTION

In this chapter, we examine the way in which reforms based on accruals-based consolidation are used to represent new accountabilities arising from a network governance perspective and consider the advances in governance as well as the tensions that can arise. We start by briefly introducing network governance and the role served by consolidated statements. We then explore the literature documenting the rise of consolidated financial statements (CFS) in the public sector across several countries, highlighting the possibilities and challenges faced by each government. We acknowledge that CFS can also refer to budgetary accounts and/or for performance measurement, but our primary emphasis in this chapter is to examine the issues around the utilisation of CFS as a tool to enhance accountability. Finally, we end by considering the experiences with different consolidation models and the potential impact it has on network governance.

Recent publications have drawn attention to the increasingly important issue in contemporary public sector accounting that addresses the use of networks to fulfil policy objectives, and its implications on financial reporting, accountability and performance measurement (e.g., Begkos and Antonopoulou, 2022; Vakkuri and Johanson, 2020). In the public sector, cooperation and collaboration via networks is a relatively new phenomenon, with the definition varying between scholars. For instance, the *Cambridge Dictionary*¹ defines networks as large systems ‘consisting of many similar parts that are connected together to allow movement or communication between the parts’. Other scholars (e.g., Provan and Kenis, 2007) consider a network to be groups of three or more legally autonomous organisations that work together to achieve individual as well as collective goals. Such networks, it is claimed, may be self-initiated by network members themselves, or by mandate or contract, as is often the case in the public sector.

Reforms that apply the conceptual underpinnings of New Public Management (NPM) would typically measure public sector performance by output. These reforms have expanded public–private partnerships in many countries that comprise networks of public, private and the third/voluntary sector. While collaboration reinforces the need for strong vertical accountability and theoretically can be beneficial as it focuses on clearly defined areas, if administrations are traditionally rooted in vertical approaches to accountability, it may not incentivize departments to work together to address complex problems. Adding to the complexity is the issue of public sector activities being inevitably prioritised by political expediency, leaving little room for initiatives that promote cross-government initiatives. Such challenges, it is argued, have complicated and disrupted public administrations, leading to significant institutional change away from government (exercise of formal sovereign rule with specific policy instruments, including executive, legislative, judicial and coercive powers) and towards gov-

ernance (self-regulating collaboration between public and private actors who work together in order to address various public issues).

New Public Governance (NPG) has taken on new meanings consequent to the economic and fiscal crises that have affected many countries in recent years. It is a way of describing how governments address complex policy problems by forming networks of private, public and not-for-profit entities (Grossi and Steccolini, 2014). Collaborative strategies and cross-boundary institutions like devolution, privatisation and outsourcing have resulted in an increased use of networks in countries all over the world. According to Polidano (2001), the eagerness to decentralise decision-making and the popularity of fragmenting public services inspired by NPM has waned, with network governance and collaborative management approaches to provide public services increasing in popularity as an alternative to markets and hierarchies (Lombrano and Zanin, 2013; McGuire, 2006; Provan and Kenis, 2007).

The literature is divided on whether action via networks enhances accountability. On one hand, the once dominant principle of traditional public administration still holds firm in many areas, the budget being one of them. Hodges (2012, p. 35) argues that vertical accountabilities are particularly important for Westminster-style political systems as 'individual ministers are perceived as holding an element of personal accountability for policy decisions'. But they are insufficient by themselves when promoting accountability for cross-collaborations and therefore require some form of horizontal accountability mechanism that can facilitate both (cf. Chapter 5 in this volume). Others have argued that operating via networks can have substantial accountability implications (Hansson and Longva, 2014; Hodges, 2012; Newman, 2004; Ryan and Walsh, 2004). Newman (2004), for example, posits that the increased significance of network governance raises the question of how traditional mechanisms of accountability can be adhered to when policy making and delivery is shared across different organisational boundaries, or whether network governance is simply characterised by multiple accountabilities.

Empirical studies have tried to explore some of these issues. For example, Hansson and Longva (2014) explored how accountability was expressed in network governance structures that provided public transport in Sweden and Norway. They found that in the Swedish case, no contract defined the entire network, nor did the accountability relationships capture the network. They also found that several of the objectives agreed upon were not realised, raising the question of whether the lack of a unified contract and accountability system contributed to this. On the other hand, the Norwegian contract had defined the entire network. Moreover, it facilitated infrastructural change and acted as a driver of new relationships between the network organisations (Hansson and Longva, 2014).

Other studies have found networks to result in dual accountability systems. For instance, Ryan and Walsh (2004) examined accountability for a community renewal programme in Queensland (Australia) and found that traditional accountability processes made it difficult to link financial accountability for resource usage to statements of output from programmes. Usage was reported within an individual department, while output reporting was spread across partner organisations. They concluded that an approach based upon the production of separate programme reports within the department's annual report provided a potentially promising solution to provide meaningful performance information despite the cost of creating another layer of reporting.

FINANCIAL REPORTING ISSUES ARISING FROM NETWORK GOVERNANCE

Klijn and Koppenjan (2012) posits that for network governance to be effective, tangible evidence is needed to verify that it improves cooperation processes within the networks and contributes towards the outcome. However, the management and governance of networks is inherently complex, with the lines of sector boundaries becoming ever more blurred through NPM- and NPG-style reforms. Consequently, state and local governments provide more public services by networks of decentralised entities, many of which are not captured in departmental financial statements due to their funding arrangements and legislative structure (see Exhibit 1 below) (Chow, Humphrey and Moll, 2007; Grossi and Newberry, 2009; Wise, 2006).

Exhibit 1: The UK Boundary Issue

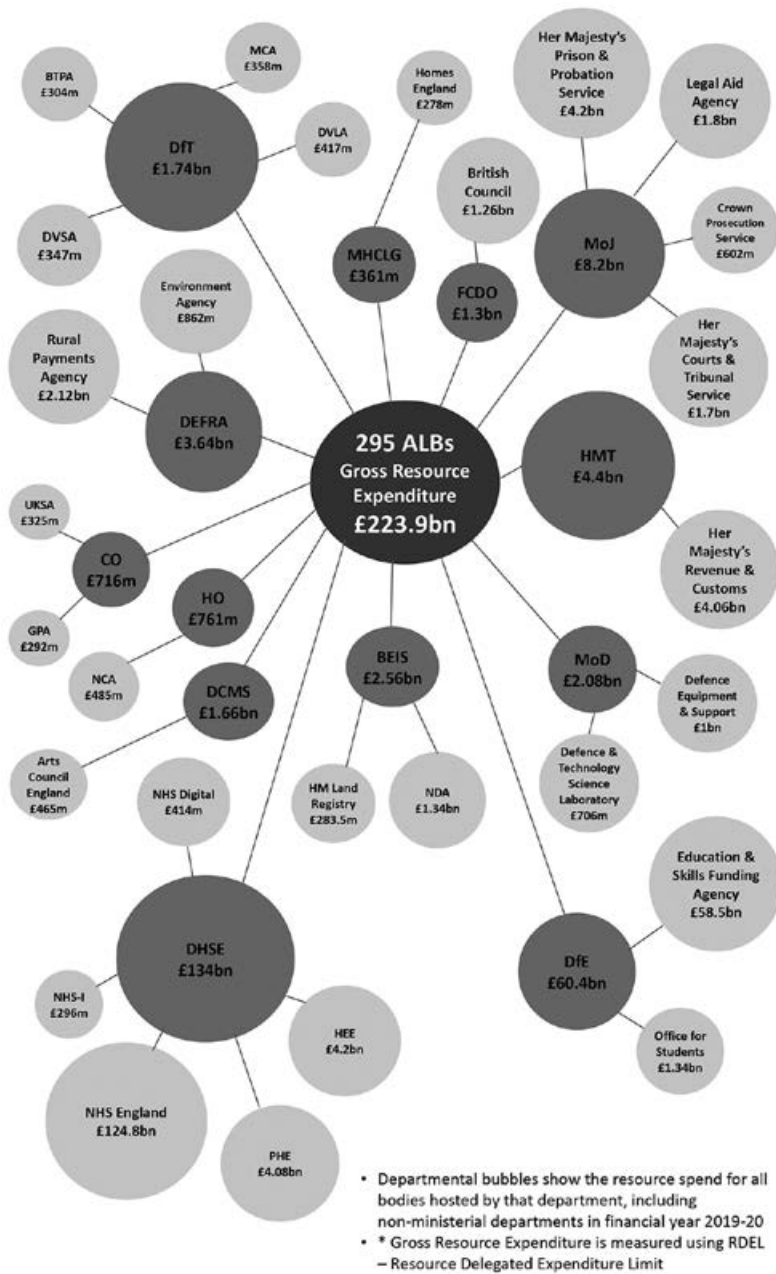
Pre-2009, UK non-departmental public body (NDPB) spending fell outside the consolidation boundary at sector level. Their spending was included in the budget but because they have separate corporate entities with statutory responsibilities independent of the relevant government departments, only the grant-in aid that was voted by Parliament and paid was reflected in the Government Departmental Resource Accounts. This created substantial inconsistencies between aggregate figures, raising the question of how accountability for public money could be ensured if the controls applied by government were different from those exercised by Parliament. Such an issue was important as 97 per cent of total gross resource spend is consumed by arm's-length bodies, NHS England and the Education Funding Agency being the two largest (Figure 14.1). As of 2012, UK NDPBs are now consolidated at sector level, thereby ensuring they are also consolidated at the whole-of-government level.

A key implication of network governance is that accounting systems based on traditional definitions of government boundaries may not provide the appropriate oversight on changing accountability relationships. In public sector accounting, the financial reporting of networks is typically determined via budgetary or control mechanisms (see Exhibit 2 below). There is a risk that too much is expected of the accounting system, spanning diverse roles such as probity (accountability), internal decision-making and also alignment with other systems of accounting, such as those on a statistical basis.

For instance, attempts to adapt existing systems of accounting for probity can create the illusion that there are clear channels of authority, but the reality of preparing financial reports to capture networks is made logistically difficult due to legal boundaries, structural complexities and the nature of contracts (e.g., public–private partnerships and outsourcing) between sectors. Much of these complexities have been caused by the ongoing support for NPM ideologies that showcase how financial reporting ‘should look’ in the public sector according to what the private sector does.

Exhibit 2: Defining a Reporting Entity (Amtrak vs Network Rail)

Assessing CFS requires a clear identification of the reporting entity, which defines the ‘boundary’ of the financial statements. For a group, it also requires the identification of the economic perimeter of the consolidated entity. The key question is the inclusion criteria for defining the reporting entity, as well as exclusion criteria from the consolidation area (Benito,



Source: UK Government (2020) The arm's-length body (ALB) landscape at a glance as at 31 March 2020.²

Figure 14.1 UK arm's-length bodies landscape by gross resource expenditure, figures as of 31 March 2020

Brusca and Montesinos, 2007; Bergmann et al., 2016; Bisogno, Santis and Tommasetti, 2015; Carini, Giacomini and Teodori, 2019; Grossi and Reichard, 2008; Grossi and Steccolini, 2014; Walker, 2009). Such an exercise may be made easier if governments conduct a mapping exercise that outlines the various types of bodies and its reporting modes to help users understand the accounting boundary for the purposes of CFS.

Generally, public sector accounting standards are based on control, entities that are dependent on government funding (budgetary approach) or a combination of both (Bergmann et al., 2016; Bisogno et al., 2015; Grossi and Steccolini, 2014). The control approach is outlined in International Public Sector Accounting Standard (IPSAS) 35, which draws on International Financial Reporting Standards (IFRS). According to IPSAS 35, a controlling entity is one that is:

Exposed, or has rights to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.³

For example, the UK's approach to identifying reporting entities comes from IFRS 10, the control criterion.⁴ The CFS, as defined in the Government Resources and Accounts Act 2000,⁵ consolidate a group of entities that appears to HM Treasury to exercise functions of a public nature, or to be entirely or substantially funded from public money. This group includes over 9,000 public organisations, among them central government departments, non-departmental public bodies, public corporations, local authorities, the National Health Service and the devolved administrations. Since the first Whole of Government Accounts (WGA) 2009–10, Network Rail (a private company set up by the government to manage the UK's rail tracks) was included in the UK National Accounts but not in WGA, and as a result, WGA received annual audit qualifications from the National Audit Office. The argument from HM Treasury was that central government had no operational control over Network Rail, and therefore it should not be consolidated. But, as a large proportion of funding for Network Rail came from central government, it was believed by the Comptroller & Auditor General (C&AG) that it should have been consolidated. From 2014–15, Network Rail was consolidated into WGA, initially bringing onto the balance sheet an increase in total assets of £93.6 billion, an increase in total liabilities of £80.2 billion and a decrease in net expenditure of £0.1 billion (HM Treasury, 2016).

The alternative approach to identifying the reporting entity is the budgetary approach, as exemplified by the case of accounting for Amtrak in the USA. The US standard SFFAS No. 47, Reporting Entity, provides guidance for identifying entities that are consolidation entities, disclosure entities and related parties. According to the consolidated reports of the US Federal Government, consolidated entities must meet the following inclusion principles: (a) budgeted for by elected officials of the government, (b) owned by the government and (c) controlled by the government with risk of loss or expectation of benefits (Government Accountability Office (US), 2021).

The US Federal Government prepares consolidated accounts that consist of 162 entities that meet the consolidation criteria across the executive, legislative and judicial branches (Government Accountability Office (US), 2021). Amtrak, however, does not meet such consolidation criteria. Amtrak was established by the Federal Government in 1971 pursuant to the Rail Passenger Service Act of 1970⁶ and is authorised to operate a nationwide system of passenger rail transportation. According to Amtrak's 2020–21 annual reports, the US Federal Government is Amtrak's majority preference share holder and it received \$66 billion in federal funding in 2021. Moreover, Amtrak's auditor Ernst and Young highlight how Amtrak is 'dependent upon substantial Federal Government subsidies to sustain its operations and

maintain its underlying infrastructure’ and that ‘without the receipt of Federal Government subsidies, the Company will not be able to continue in its current form and significant operating changes, restructurings or bankruptcy might occur’ (Amtrak, 2021, p. 2). Yet, according to the criteria in Generally Accepted Accounting Principles (GAAP) for federal entities, Amtrak is reported only as a disclosure entity for the following reasons:

It is not a department, entity, or instrumentality of the government. Amtrak’s classification as a disclosure entity is attributable to being a) listed in the budget; b) financed mostly by sources other than taxes; and c) governed by an independent Board of Directors, which is comprised of 10 directors. (US Consolidated Financial Statements, p. 168)⁷

The above case highlights how governments are inherently connected to multiple stakeholders via funding, law, regulation or professional standard or for legitimacy. Typically, the form of connectivity is represented by mechanisms that instil accountability to ensure that what was said would be achieved and if not, why. Yet consolidation, when used as a calculative practice to present how the whole of government has performed in a financial year, will differ depending on how accounting standards are applied.

The UK illustration shows that despite an initial divergence in the recognition of Network Rail’s assets and liabilities, it was eventually included on to the public sector CFS. This outcome obligates the government to formally account for the policy decisions it takes in developing the railway infrastructure and creates additional visibilities through the financial reporting process. The US illustration suggests that such differences in the recognition of assets and liabilities of a transport service that is heavily reliant on public funding is not uncommon. The challenge of adopting a consolidation criterion based either on control or financial dependence is that it does not fully capture the ‘network’ of entities that are in some ways connected to public service delivery. By the same token, the question arises as to whether such a goal is even a possibility in financial reporting.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PUBLIC SECTOR

While its aim has been to disseminate information on the financial outputs and instil accountability for how public money is spent, there is growing awareness that NPM-style financial reporting systems are too fragmented, thereby hindering the ability to effectively capture the financial outputs of networks. Some (e.g., Grossi and Newberry, 2009; Wise, 2006) argue that in this complex structure of public service delivery, traditional government annual accounts do not include decentralised entities’ financial situation and performance, meaning that government annual accounts cannot guarantee a complete view of government economic and financial activities, nor public sector accountability (Grossi and Soverchia, 2011; Walker, 2009). These issues raise important questions around the decision-usefulness of public sector annual reports and the ability to hold the government to account (Chapter 1 in this volume).

CFS was therefore suggested as a solution for dealing with these multifaceted issues (Mellor, 1996). Government reformers and their supporters claim that CFS offer a potential means by which to operationalise network governance via a mapping exercise that brings together the finances of public entities to show the macroeconomic position of a government (Chow et al., 2007; Grossi and Newberry, 2009; Heald and Georgiou, 2011). Grossi and Soverchia (2011), for instance, note the expanding role for CFS in the European Union, in

tandem with the growth in European agencies tasked with operationalising the union's functions and activities. There is already some evidence that accounting projects (e.g., European Public Sector Accounting Standards, or EPSAS) can bring together a network of stakeholders (such as accounting standard-setters, regional audit offices, treasury departments and politicians) to secure both the technical and political legitimacy needed (Dabbicco and Steccolini, 2020). For clarity, we adopt IPSAS 35's definition of CFS:

The financial statements of an economic entity in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity. (IPSASB, 2015, p. 7)

Table 14.1 Benefits and limitations of consolidated financial statements

Benefits	Limitations
Condenses a large mass of data into a single set of meaningful and useful information (Mellor, 1996)	The users and usefulness of CFS can be hard to identify (Stewart and Connolly, 2021)
Easier to understand and interpret by readers than the existing array of financial reports which provide an incomplete picture of government finances, and which are based on concepts and principles only understood by a select few (Mellor, 1996)	A difficult exercise and one that can only be effective if those consolidated apply a standardised approach to preparing departmental accounts; such attempts at a standardised approach generate their own issues (Barton 2005; Ellwood, 2003; Ellwood and Newberry 2006)
Improves accountability to Parliament and facilitates improved transparency in public sector finances (Gomes, Brusca and Fernandes, 2019; Stewart and Connolly, 2021)	As CFS can result in a duality of systems between consolidated accounts prepared in accordance with the European System of Accounts (2010) ^a and IFRS/IPSAS, care is needed in their design, clearly specifying who are the key users of the system
Accrual reporting also encourages a longer-term planning perspective by focusing on assets and liabilities, and the nature of each major item in order to determine their impact on future cash flows (Mellor, 1996)	For many countries, the budget is maintained as the core of control, raising the question of what value preparing consolidated accounts brings (Bergmann et al., 2016)
Helping coordination and integration strategies after the inevitable fragmentation involved in NPM (Christensen and Lægreid, 2011)	It raises the question of whether the consolidated financial statement as a means of monitoring financial performance rather than activity performance is enough to ensure accountability

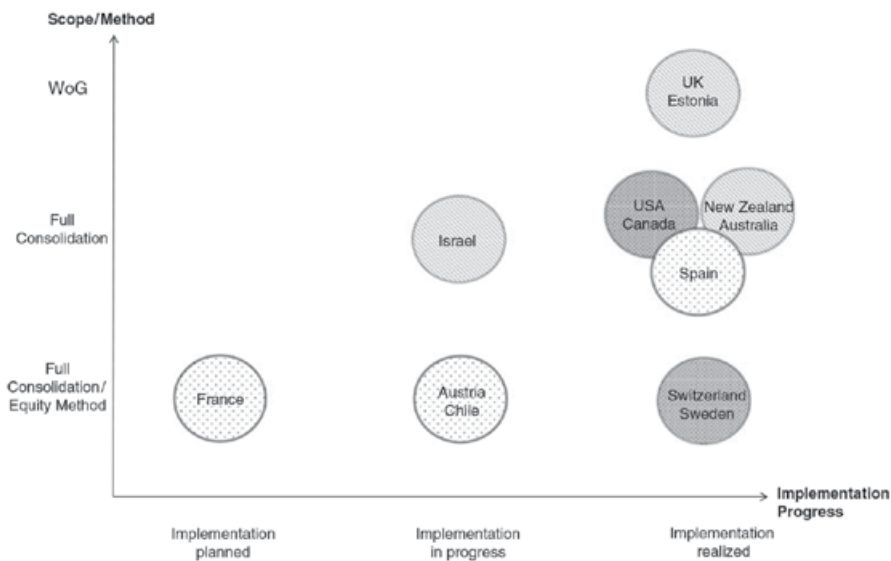
Note: ^a See <https://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334>.

The claimed benefits and limitations of CFS are outlined in Table 14.1. For example, a consolidated financial statement displays the financial position at the aggregate level and satisfies internal and external accountability needs (Broadbent, Dietrich and Laughlin, 1996; Humphrey, Miller and Scapens, 1993). Further, such a statement may improve the clarity and completeness of the economic condition of a group (Wise, 2006) and reveal how public resources are being managed (Santis, Grossi and Bisogno, 2019).

In the conception of the UK's WGA, CFS are said to have increased the transparency of links between not just government organisations, but the wider set of bodies that perform public functions. However, for governance reasons, these organisations are situated at arm's length from (e.g., BBC), and are constitutionally independent of, the executive (e.g., the Bank of England, which, despite its name, is the central bank for the whole of the UK). Such practices, it is contended, will help to safeguard public interests (Klijn and Koppenjan, 2012).

However, the use of CFS to manage and govern networks can also be problematic for reasons including the difficulty of comparing consolidated information across different levels of government and defining consolidation boundaries (e.g., Exhibit 1 and Exhibit 2 earlier) (Heald and Georgiou, 2011).

To date, only a small number of countries have implemented, or are in the process of implementing, consolidation as part of their financial reporting reform agenda (Figure 14.2). Unlike the private sector, the conceptual underpinning and preparation of CFS differs significantly between countries (Polzer, Grossi and Reichard, 2022). For example, New Zealand only includes central government, Australia only state and territorial governments but not the whole country (Day and Guthrie, 2008), and Italy and Portugal only consolidate local governments (Carini et al., 2019). At present, the UK and Estonia are the only countries to consolidate at all levels of government, ranging from central and local government to public corporations (HM Treasury, 2020; Ministry of Finance Estonia, 2018).



Source: Bergmann et al., 2016.

Figure 14.2 Consolidation methods and implementation process

According to Bergmann et al. (2016), the preparation of CFS needs to have political buy-in, and not be carried out for the sake of mimicry or seen purely as a technical solution. While some have argued that aggregated financial reports can improve ‘social, political and economic decision-making’ (Dasi, Montesinos and Murgui, 2016, p. 165), preserving the quality of the numbers to appear within aggregated reports and being clear about how aggregated numbers can be used by Parliament is of utmost importance. Economic transfers within the public sector come from a myriad of entities, each with different objectives and legal and regulative set-ups. For instance, Kankaanpää, Oulasvirta and Wacker (2014) explore the case of state-owned enterprises (SOEs) in the Finnish central government. Due to the

different objectives, classifications and ownership of SOEs, the authors suggest that to help with steering (decision-making) and monitoring (accountability), it is necessary to categorise the variations in functionality that each SOE has. Ensuring that accountability is achieved, Parliaments need to receive ‘complete information on how the ownership policy steering and implementation has been performed’ (Kankaanpää et al., 2014, p. 419). However, providing this information under one umbrella performance report runs the risk of trying to ‘compare apples with lemons’. If one SOE is of a market nature (profit-orientated) while another is under the complete control of government with a social nature, this raises the question of the value-aggregating these performances add.

Indeed, CFS have the potential to negatively affect parliamentary accountability because the results of specific departments become lost as they are integrated with the results of other agencies. Such an issue becomes exacerbated if agencies included in the consolidation have different year ends from the core department (see Exhibit 3).

Exhibit 3: Consolidating Entities with Different Year Ends: The Case of the UK Academy Sector

In the UK, the Department for Education’s (DOE’s) financial year runs from April to March, whereas its arm of academies has a financial year end which coincides with the academic year; i.e., September to August. This means that the DOE must do many reconciliations so that the accounts adhere to IFRS for both departmental annual reports and accounts and WGA. The agreement reached between Treasury and Parliament is that the academy sector prepare a separate report for August 31 year-end at departmental level. This, however, results in a continual audit qualification by the National Audit Office for WGA. Treasury’s response to the audit opinion is that it would ‘not be cost effective to require separate 31 March returns from the Academies sector’ (HM Treasury, 2020, p. 75). However, this remains an ongoing issue as the academies sector involves approximately 8000 entities, with a third of all the DOE budget going to academies.

However, the development of a more extensive system of accounting to encapsulate the new organisational structure brought about by the shift towards a network of organisations delivering public services can result in several impositions. First, it may conflict with existing constitutionally based understandings of what government is. The criteria for drawing up consolidation boundaries is often based on an accounting definition of control, whereas government boundaries are often defined by jurisdictional/constitutional law (Bisogno et al., 2015), which creates opportunities for misalignment between the two.

Second, processes of redefining the reporting boundary can trigger regulatory turf battles between key stakeholders, such as Treasury, statisticians (e.g., National Accounts, European System of Accounts [ESA] 10), auditors, parliamentary scrutiny committees and (private) accounting standard-setters. This is because the realignment of boundaries has the potential to alter the balance of power between stakeholders, as new lines of accountability are established while existing relationships are reconfigured. Third, as a result, any attempt at reform of key lines of accountability and governance is likely to induce resistance to change. This can reduce the efficacy of the reforms in the first place, leading Humphrey et al. (1993) to suggest that New Public Financial Management reforms are congenitally failing. In the next section, we explore the risks of the issues raised above in the context of different countries’ experiences with CFS reporting.

VIGNETTES OF SELECTED COUNTRIES' CFS SYSTEMS

The final section highlights established experiences with consolidation and its role in representing the move towards network governance. We compared the UK's WGA project with its forebears, Australia's Whole of Government Reports and New Zealand's own WGA. The chapter concludes with consideration into the wider academic concerns over the relevance of financial reporting and consolidated financial reporting to users, along with the challenges and opportunities of whole-of-government reporting and network governance.

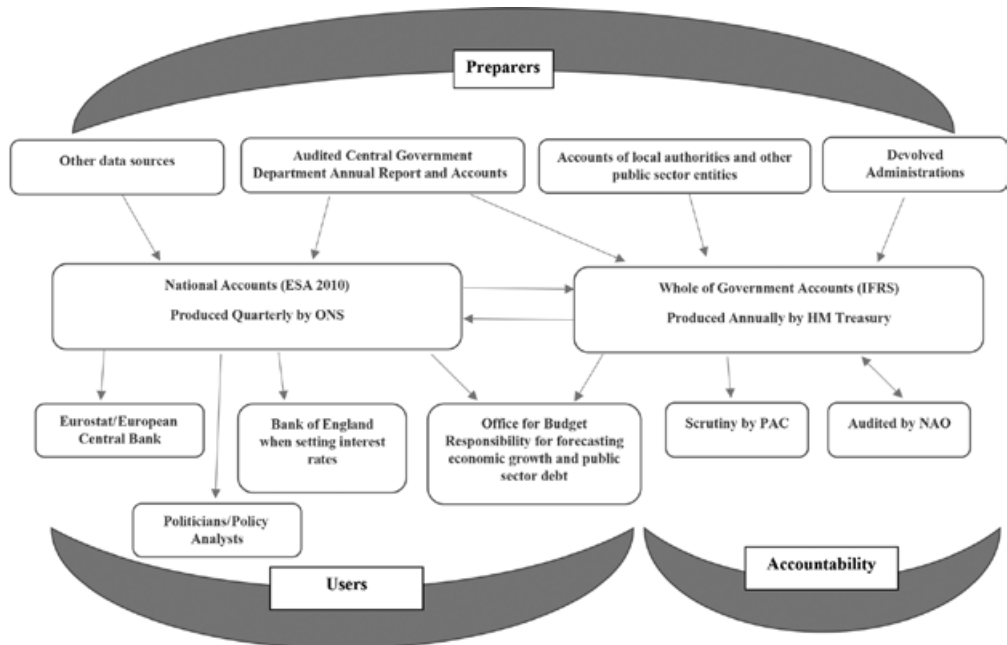
United Kingdom

In the UK, calls for CFS were initially made by parliamentary scrutiny committees in the 1990s, as a logical or 'self-evident' (Lapsley, Mussari and Paulsson, 2009) extension of the government's proposals for accrual accounting and budgeting (i.e., resource accounts). The agenda then was for the accounts to bring together various disparate accounts managed by the government to enable a more complete picture of public finances (Chow et al., 2007). The incoming Labour/Blair government in 1998 elevated the role of WGA, making it a key element of its economic policy manifesto, ostensibly to demonstrate that a Labour government could be trusted with public finances. The idea is for WGA to incorporate not only accrual accounting at the central government level, but to extend beyond the general government sector (GGS) to eventually include local government and feed into the National Accounts.

The first WGA was published in November 2011, 13 years after its inception (HM Treasury, 2011). From a network governance perspective, the publication has both expanded and inter-linked with the existing network to come from preparing the National Accounts, while creating new accountability networks, both at government and parliamentary level (see Figure 14.3).

Originally, the three key claims for preparing WGA were to: (1) enhance macroeconomic decision-making, particularly with regard to policy credibility, such as the code for fiscal stability; (2) bolster accountability to Parliament; and (3) improve the integration of accounting-based information systems in government, such as between National Accounts and GAAP-based financial reporting (Chow et al., 2007; Heald and Georgiou, 2011). Post-implementation analyses of WGA by Chow et al. (2019) and Stewart and Connolly (2021), however, have shown that such claims have, at best, been only partially fulfilled. Hyndman et al. (2014) notes how differences in translating accrual accounting reform proposals into eventual outcomes are conditional on national interpretations and NPM ideology. For instance, Stewart and Connolly (2021) found that additional reforms, in the form of clear line of sight, were required to realign disparate accounting systems that span the prospective (budgets) to retrospective (accountability reporting); statistical basis to GAAP (i.e., IFRS) basis (Heald and Georgiou, 2011); cash to accrual; and the myriad of legacy parliamentary and government systems.

In Stewart and Connolly's (2021) interviews with people in the UK government with extensive knowledge of WGA, there is a lack of a focus on how WGA would be used. Their finding is borne out by requests from Parliament's Public Accounts Committee for the government 'to make better use of the WGA to identify and address risks to public finances [as] WGA has the potential to inform new decision-making and longer-term fiscal planning by providing the fuller and wider context for decisions involving new financial commitments' (Public Accounts Committee, 2012, p. 5). Despite these recommendations, the government is seemingly reluc-



Source: Authors own.

Figure 14.3 The United Kingdom consolidated network

tant to use WGA for economic decision-making, as it 'does not offer the Government a set of policy prescriptions. Nor is it the primary tool for controlling expenditure and ensuring value for money. Its role is to provide a consolidated view of the Government's finances, with added value in the presentation of forward-looking liabilities' (HM Treasury, 2012, para. 2.29). Note, however, that this model of combining reporting for probity with information useful for assessing future liabilities is not universal. Finland, for example, has a separate ministry to report on liabilities and risk, without the necessity for that statement to be incorporated into a consolidated financial statement at the whole-of-government level.⁸

Several reasons were put forward to explain the reluctance to use a balance sheet approach to policy making. As Biondi (2016) notes, accrual accounting was not intended to replace cash accounting, 'which is still central to the annual budget and is baked on both capital and current spending' (p. 85). Biondi (ibid.) goes on to argue that the balance sheet approach, which WGA is said to represent, can run up against issues around its conceptualisation, such as whether GAAP is suitably appropriate as a standard for WGA (Ellwood, 2003). From a normative perspective, the crux of the problem centres on the problematic assumption that private and public sector standards should converge (Barton, 2005).

In its attempts to interpret the value from CFS as not only for probity, but as an aggregator tool that brings together the diverse systems of accounting, the political agenda of the New Labour government must be contrasted with the question of whether a balance sheet approach focused on net wealth creation is appropriate for a public sector with multiple, complex objectives (Ellwood and Newberry, 2006). Walker (2009) has found that an attempt to unify

government financial reports into a single format encompassing all of government may struggle to meet the multiple claims made for it. Biondi (2016) agrees with such views, stating that a balance sheet approach is ‘inconsistent with the idea that government activity primarily involves protecting and managing resources that are shared (commons) and the pursuit of other important objectives, such as the maintenance of intergenerational fairness’ (p. 89).

Heald and Georgiou (2011) highlight how, if WGA is used as intended, the public sector balance sheet approach can draw attention to the linkages between deficit, debt, privatisation, the extent to which public sector assets are maintained and intergenerational fairness. These considerations may explain why WGA has maintained the support of the C&AG and Parliament, despite HM Treasury’s apparent reluctance to make more use of it. The complexity of the reporting on a WGA basis means that parliamentary committees holding government accountable would have to rely on the advice and interpretation of the C&AG.

The C&AG (2011) has, for instance, raised concerns about private–public partnership (PPP) arrangements. PPP, ostensibly an exemplar of the network governance approach, is potentially facilitating the avoidance of internal controls where such entities are not included within the WGA consolidation. A related issue is the reluctance of the British government to include the Royal Bank of Scotland (RBS) group, which was rescued with taxpayers’ funds during the global financial crisis of 2008–09. Consequently, the C&AG, since the publication of the first WGA for the financial year 2009–10 to the most current of WGA 2019–20 (at the time of writing), has consistently issued an audit qualification in every annual report on RBS’ exclusion from WGA.

New Zealand

According to Newberry and Pont-Newby (2009), the NZ government, as part of its wider PFM reforms in the late 1980s, made a policy choice to move from Keynesian economic policies towards a public choice approach. CFS was seen as one of a number of central components in the reform, with special provisions made in the Public Finance Act (NZ) (1989). However, proposals for CFS in the Act were sufficiently controversial as it triggered a parliamentary enquiry. From here on, the discussions are largely summarised from Newberry and Pont-Newby (2009), unless otherwise mentioned.

Some of the main concerns raised in the enquiry relate to the differences between constitutional versus accounting-based views of relations between entities. For instance, the use of control (i.e., an accounting-based definition of the boundary) as a criterion for determining consolidation was overridden by the requirements of the 1989 Act (constitutional-based definition of the boundary).

In addition, the requirements to use a ‘line-by-line’ (i.e., purchase method) approach to consolidation implies government control over SOEs, which undermined recent reforms that privatised SOEs. Further, these debating lines have generated turf battles between key institutions, with the Department of Statistics supporting the version of CFS defined in the Act, while Treasury regarded financial reporting as ‘completely separable from the production of government statistics’ (Newberry and Pont-Newby, 2009, p. 237).

Despite NZ CFS being eventually published, further questions arose from the governor of the Reserve Bank over the value of CFS for macroeconomic purposes, and more broadly, doubts arose over whether the value from CFS exceeds the costs of preparing such information (Newberry and Pont-Newby, 2009, p. 239). Instead, CFS were heralded by the NZ

Parliament's Finance and Expenditure Committee to improve accountability and as a requirement to enable analysis of the government's finances, despite admitting that the committee did not use CFS for decision-making (*ibid.*). In her post-implementation financial analysis of NZ WGA, Newberry (2011) found that the complexity of reporting has tended to obscure, rather than improve, the implications of the government's privatisation initiatives and growing involvement in financial markets.

Such differences in perspectives and competition for regulatory control are not unlike current debates in the UK, with the Public Accounts Committee and the C&AG encouraging a seemingly reluctant Treasury to make more use of WGA. For instance, the C&AG has suggested that 'Treasury should be more ambitious ... to use the WGA for long-term fiscal analysis and decision making' (C&AG, quoted in HM Treasury, 2012, para. 7.12).

Australia

In contrast to the UK and NZ approach, where the CFS boundary extends to the whole of central government (NZ) or central and local government (UK), Australia takes a jurisdictional approach to defining the CFS boundary. From Australia's perspective, CFS entities are constitutionally derived, rather than based on GAAP notions of control. There are, for instance, separate CFS for each of the states (e.g., New South Wales, Victoria), Territories (Northern Territory) and the capital (Australian Capital Territory). Unlike the UK and NZ, there is no single consolidation that encompasses the whole of Australia (Aggestam, Brusca and Chow, 2014). Such an approach to defining consolidation boundaries could conceivably be viewed as reducing the potential frictions from adopting GAAP-based conventions, but it may also reduce the usefulness of the accounting system for economic policy making at the national level, thereby limiting the effectiveness of the governance practices in place.

Like New Zealand, Australia also adopted a corporatist approach to financial reporting (Ryan, Guthrie and Day, 2007). The Australian experience with CFS involved the role of private sector consultants advocating accounting technologies to government (Barton, 2005; Christensen, 2005). This meant that the early emphasis on CFS standards (initially Australian Accounting Standard 31, or AAS 31) was on 'sector neutrality' (Day, 2009), an approach that presumed private sector accounting standards and frameworks could also be, with suitable adaptation, used in the public sector.

The initial 'duality' of reporting on both a Government Finance Statistics (GFS) and GAAP basis had caused confusion for users (Challen and Jeffery, 2003). Cash-based budgets were initially replaced by two different accruals budgets based on GAAP and GFS, causing confusion in Parliament over their interpretation (Barton, 2011). As with the UK experience of its first decade of producing WGA, early WGR (whole-of-government reporting) in Australia had suffered from repeated qualified audit opinions (Barrett, 2001; Wise, 2006). This resulted in the issue of a new standard, AAS 1049, specifically for CFS in the public sector, to stop politicians exploiting the opportunity to engage in opportunistic dual reporting. AAS 1049 is said to harmonise GFS with GAAP frameworks in a single standard, to allow a single bottom line (Day, 2009), though this appears to be for financial reporting only. It appears that for budgetary purposes, the government has decided to rely exclusively on GFS (Barton, 2011). In a study on the perceptions of public sector stakeholders with Australian Accounting Standards on 'Whole of Government and General Government Sector Financial Reporting' (AASB 1049), Kober, Lee and Ng (2013) found that while at a broad level users supported the align-

ment between GAAP and GFS, there were instances where GAAP was not seen as the most appropriate approach. Their findings suggest that many respondents were still concerned with the transposition of private sector frameworks for use in reporting on public sector activities, and the predominance of GAAP approaches to accounting for the public sector.

Other Countries' Experiences with CFS

The turf battles between a GAAP-based approach and a statistics-based (GFS/ESA/SNA [System of National Accounts, as used by the United Nations]) approach to defining the CFS boundary are also apparent in other countries. The dividing line here is that GAAP is seen as more relevant for reporting purposes, whereas a statistics-based approach is a *de facto* standard used for budgetary and/or macroeconomic policy making. While the Portuguese standard-setter committee (CNCP) opined that municipalities found CFS useful for controlling debt and expenditure, this was not the case in Spain, where the budgetary accounting is prioritised in decision-making, as CFS adoption is voluntary (Gomes et al., 2019). In both Spain and Portugal, the view is that despite potential benefits from greater financial transparency, CFS is of limited use to decision makers, and is mainly seen as a tool of mandatory/institutional compliance in the case of Portugal. The lack of decision-usefulness was also highlighted in a local government study regarding Italy, where CFS adoption is compulsory. In Carini et al. (2019), CFS (at the local government level) was generally perceived more as a tool for social legitimisation rather than for internal decision-making and performance management.

The overarching theme that links all of the countries' experiences with CFS, whether at a national, state or local government level, is the continuing dissonance between GAAP-based definitions of the boundary, which are largely based on GAAP notions of control, with budgetary approaches that rely on statistical accounting. Users appear to favour statistical approaches over GAAP, which is perceived as being insufficiently tailored to public sector needs. This dissonance has been picked up by a number of commentators over the years (Barton, 2005, 2011; Bisogno et al., 2015; Kober et al., 2013; Walker, 2009) and continues to be a dividing line in making CFS work across the different stratifications of government. More broadly, it points to the continued potential for turf battles between different regulatory orbits (statistics v GAAP) and the extent to which challengers such as IPSASB are willing and able to prise users away from the United Nations' (UN's) statistical system of reporting. Chow and Aggestam-Pontopiddan (2019), for instance, have highlighted how IPSASB has managed to take advantage of weaknesses in the regulation of statistical accounting to enrol important global institutions, such as the UN.

Despite such challenges, the longstanding idea that CFS is a way in which to improve the transparency of government financial reporting still has traction. For instance, in a very recent scoping study by the State Treasury of Finland (2022), it was concluded that the introduction of CFS is needed to deal with perceived inadequacies of existing methods of accounting for government finances. It is notable that the study rejects the notion that IPSAS is a suitable basis in which to think about government boundaries, as it 'does not meet the stakeholder needs' (p. 118). There is a need to consider how implicitly reliant existing notions of boundary definitions in CFS are on private sector constructs such as control. Perhaps there is a case for thinking more radically, to include not just economic transactions, but also consider the wider environmental ecosystem under the concept of 'planetary boundaries', as advocated by Antonini and Larrinaga (2017).

DISCUSSION

Governance changes have had an impact on public sector financial reporting. The network governance approach has become influential in the literature on public policy deliberation, design and implementation, as policy processes have involved increasingly multiple stakeholders and deregulation. In such a complex structure of service delivery, it is argued that existing systems of accounting for government cannot capture the expansion and diversity of public sector activities in its entirety. Therefore, the need to find ways of governing these networks has arguably stimulated the diffusion of consolidated accounting as an approach that can satisfy accountability needs and provide transparent financial information on the activities of government.

In theory, consolidation can be viewed as a goal-directed network consisting of established bodies within government to work towards an end goal which is the annual preparation of consolidated accounts. However, consolidation is a consequence of network governance that is highly dependent upon a range of factors in order for it to be successful, however that can be defined.

For consolidation to be effective, the challenge is to tackle the competing incentives at play. For Parliament, it is to hold the government to account. For the government, it is to have (timely) information that can assist in long-term policy making. For auditors, it is to ensure that the information generated provides a true and fair view of the financial position with an unqualified opinion. For other stakeholders (including the public), it is to have information that is transparent and easy to understand with the ability to extract what is relevant to them.

Experience shows that the autonomous structures of agencies and arm's-length bodies, accountability structures, consolidation boundaries and competing logics (e.g., in the form of turf battles between different accounting systems), along with a lack of standardised accounting practices, hinders the ability for consolidation to be a mechanism that can govern networks and be truly effective.

It will be challenging to be all things to all people. From the UK experience with WGA, however, the catalytic nature of WGA as a system that brings together other systems, a supplier of primary data that can be turned into multiple uses, can serve as a useful lesson for other reforming governments. Perhaps the issue is not so much to do with the challenges of disparate users with different needs. We surmise that the bigger risk is for CFS systems to be ignored because they reveal too much and/or reflect the lack of skill and effort of parliamentarians utilising them properly.

NOTES

1. <https://dictionary.cambridge.org/dictionary/english/network>.
2. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1001885/Public_Bodies_2020.pdf.
3. <https://www.ifac.org/system/files/publications/files/B8-IPSAS-35.pdf>.
4. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041796/2022-23_FReM_-_Dec_21.pdf.
5. <https://www.legislation.gov.uk/ukpga/2000/20/contents>.
6. <https://www.govinfo.gov/content/pkg/STATUTE-84/pdf/STATUTE-84-Pg1327.pdf>.
7. <https://fiscal.treasury.gov/files/reports-statements/financial-report/2021/notes-to-financial-statements-2021.pdf>.

8. We thank Lasse Oulasvirta for this comparison.

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15. Linking popular reporting to citizen engagement: evidence and ideas from Italy

Luca Bartocci and Silvana Filomena Secinaro

INTRODUCTION

In the last two decades, civic engagement has been seen as a crucial element in renewing public sector government and especially as a pillar of the concept of public governance (Blomgren-Bingham, Nabatchi and O’Leary, 2005) and, more specifically, of democratic governance (Skelcher and Torfing, 2010). Citizen engagement can be interpreted as a process with three different levels of commitment for public administrations: citizen information, their consultation and co-decision with them (Malena, Forster and Singh, 2004). In this sense, the preparation and disclosure of a high-quality information tool should constitute a proper basis of every citizen engagement process (Manes Rossi, Aversano and Tartaglia Polcini, 2020). At the same time, while consultation and co-decision mechanisms have been implemented in planning, programming and budgeting processes, much less has been done in the field of reporting activities (Cucciniello, Porumbescu and Grimmelikhuijsen, 2017; Lorson and Hausteijn, 2020). In other words, little is known both theoretically and practically about connections between reporting and citizen engagement.

This chapter is focused on popular reporting (PR), considered as a practice adopted with the aim of making public administrations’ general-purpose financial reports more accessible and transparent, and ‘talking’ to citizens and favouring their awareness of the same administrations’ performance. Generally, this implies a selection of financial figures to be included in the report and the addition of non-financial data and indicators related to other informative dimensions (or capitals). In this sense, a kind of integrated PR has replaced the first experiences of popular financial reporting (Cohen and Karatzimas, 2015; Manes Rossi, 2019).

So far, academic literature has mainly framed the issue in the perspective of the concept of accountability, especially focusing on prescriptions to get good-quality reports. Attention has been drawn to which contents to disclose (Biancone et al., 2018; Manes Rossi et al., 2020), the qualitative characteristics of reports (Carpenter and Sharp, 1992; Hermann, 2011) and their accessibility to citizens (Del Gesso and Romagnoli, 2020; Lourenço, 2016). Less attention has been paid to the real praxis, with few studies based on empirical cases (Jordan et al., 2016). In particular, little is known about promoting and enhancing good-reporting citizen activism (Grossi et al., 2021; Langella et al., 2021; Manes Rossi et al., 2020).

This study aims to investigate the connections between PR and citizen engagement from the public administrators’ point of view (Bracci, Biondi and Kastberg, 2021). A two-fold analysis of Italian PR practices is presented since the fact that, in Italy, the publication of a kind of PR has been established by law since 2011. Based on this prescription, the preparation of reports that specifically address the presumed information needs of citizens has slowly spread over time. First, our study presents a general recognition of Italian PR experiences at a local level. Secondly and mainly, an investigation of a specific municipality (i.e., Comune di Castel

Maggiore) is conducted that highlights the opportunities for and challenges in enhancing citizen participation through PR. To this aim, a specific conceptual framework based on pre-existing literature is proposed and applied.

The chapter proceeds as follows: firstly, a summary of pre-existing literature on PR is presented; subsequently, attention is focused on citizen engagement, and a conceptual framework to examine how PR can promote and enhance effective participation is proposed. In the fourth section, a summary of Italian experiences of PR is presented. Based on the results of this monitoring, an analysis of the Municipality of Castel Maggiore is reported in the fifth section. In the sixth section, the case study is discussed, and, finally, the chapter concludes with some remarks and possible avenues for future research on the topic.

PREVIOUS LITERATURE ON PR

PR practice took root in North America in the early 1990s, aiming at presenting the financial performance of central and local governments to the general public through different formats of user-friendly information (Clay, 2007; Lee, 2006; Sharp, Carpenter and Sharp, 1998; Yusuf and Jordan, 2015). Currently, these reports appear to be widespread, especially in the contexts of local government in the US, Canada and Australia (Stanley, Jennings and Mack, 2008; Yusuf et al., 2013). In addition, recent studies have analysed single PR experiences that have emerged within European municipalities (Barbera, Borgonovi and Steccolini, 2016; Biancone, Secinaro and Brescia, 2016; Grossi et al., 2021). In other words, PR emerged from praxis, with a significant contribution from professional bodies (i.e., the Governmental Accounting Standards Board, or GASB; Government Financial Officers Association, or GFOA; Association of Government Accountants, or AGA) and academics have started to pay attention to this issue only in recent years (Biondi and Bracci, 2018).

From a theoretical point of view, the theme is often approached in the light of the accountability concept (Bracci et al., 2021; Manes Rossi, 2019). Specifically, the idea is to experiment with instruments and practices in order to overcome limitations and weaknesses, in terms of effective accountability, of traditional public sector financial reporting. According to Jones and Pendlebury (2000, p. 126), public sector accounting has ultimately been based on ‘hypothesised users and hypothesised needs’ and doubts can be raised about whether a ‘substantial number of users’ even exists (p. 138). This leads to the idea that public administrations are seriously at risk of preparing and disseminating general-purpose financial statements ‘ad absurdum’ (Haustein et al., 2019, p. 472). At the same time, the usefulness and relevance of information provided by these documents for citizens are questioned. Steccolini (2004) believes that financial reports are not a real medium of accountability, especially at a local level. With specific reference to Italy, she found that financial reports are mainly used by auditors. In another context and with a more general perspective, Ellul and Hodges (2019) have shown that the accountability function of accounting information is highly valued by politicians. This confirms previous empirical studies (e.g., Brusca, 1997) which have demonstrated that financial reporting may provide information for politicians and public managers but it is far from being a significant accountability instrument for citizens.

Similarly, some scholars assume that traditional public financial reports are ‘too complicated for ordinary people who are often discouraged by technical language’ (Manes Rossi et al., 2020, p. 94). To encourage citizens to use accounting reports, these documents should have

a higher level of readability and, as a consequence, they need to be written in an accessible style, as well as being visually attractive (Del Gesso, 2022; Marsh, Montondon and Daniels, 2004; Yusuf and Jordan, 2012). This has led to the preparation of shorter reports which should be easier to read and more attractive in visual terms. In this regard, we can talk of popular financial reports.

Another aspect that is to be highlighted is the call to provide citizens with more accurate information on public service delivery (Jordan et al., 2016). In this light, a public entity is seen as a provider of services in favour of a public of users and general-purpose financial reporting is insufficient to account for public entity performance to citizens. This perspective implies a combination of financial and non-financial data, often accompanied by qualitative information. These trends have resulted in a variety of typologies of reporting statements. The taxonomy provided by Carpenter and Sharp (1992) remains a good point of reference. They distinguish: (1) general-purpose financial statements (intended as excerpts of comprehensive annual financial reports), (2) state-of-the-city reports, (3) corporate-style annual reports, (3) summarized financial statements, (4) financial trend reports, (5) budget summaries and (6) narrative descriptions of efforts and accomplishments.

More recently, we have witnessed an extension of the content of citizen-centred reporting: information on governance systems, strategic design and social-environmental impacts have been gradually included, and now some kinds of integrated popular reports are recognizable (Grossi et al., 2021). Taking inspiration from the well-known integrated reporting framework (IIRC, 2013), the idea of combining the simple and short format of PR with the comprehensive disclosure of integrated reporting has been spreading in different contexts (Aversano et al., 2019; Biancone et al., 2016; Cohen and Karatzimas, 2015; Manes Rossi, 2019). Based on this idea, the application of the six-capital framework (Biancone et al., 2019; Cohen and Karatzimas, 2015) should guarantee a 'holistic overview of an entity with simplified disclosure and clearly explain the creation of public value for citizens' (Grossi et al., 2021, p. 77).

Literature has also defined recommendations for good-quality PR: information must be timely, easily understandable, credible and objective (Biancone et al., 2016; Cohen and Karatzimas, 2015). Relevance and contextualization are also important (Yusuf et al., 2013). PR should focus on both current and long-term issues and provide 'city contact information and instructions for obtaining follow-up or more in-depth information' (Yusuf and Jordan, 2012, p. 48). In this regard, significant efforts have come from American professional organizations such as the GASB, GFOA and Association of Government Accountants. The AGA, for example, provides guidelines and best practices for citizen-centric reports, while the GFOA offers recommendations for popular annual financial reports (Jordan et al., 2016).

Among qualitative characteristics of PR, accessibility is especially important (Del Gesso and Romagnoli, 2020). This aspect is particularly related to the dissemination of the reports. Scholars have discussed challenges and opportunities for spreading PR through various channels. Reports can be made available in a printed edition in public libraries or government offices, but also in places where citizens can spend their spare time (e.g., bars, car washes, hospital waiting areas) (Yusuf et al., 2013). Local officials can present and discuss them with targeted citizen groups (Sharp et al., 1998). More often, these documents are sent to citizens by email or uploaded on the reporting entity's website (Manes Rossi et al., 2020; Yusuf et al., 2013). Nowadays, digitalization offers good opportunities to disseminate reports through the most popular social media such as Facebook and Twitter (Cohen and Karatzimas, 2015; Grossi et al., 2021; Yusuf and Jordan, 2015). The use of new information technologies, and

particularly the Internet, can help to create additional room for a two-way dialogue, favouring democratic participation (Caba Pérez, Lopez Hernández and Rodríguez Bolívar, 2005). However, traditional communication tools should not be abandoned in order to be inclusive, and should provide information to those citizens who are not familiar with information and communication technologies (ICT) (Clark, Brudney and Jang, 2013).

LINKING PR TO CITIZEN ENGAGEMENT: A CONCEPTUAL FRAMEWORK

In a general sense, citizen engagement consists of any kind of interaction between citizens and their government with the final effect impacting on the behaviours of both sides. Often, it is promoted top-down by governments, even if an active mobilization of citizens should be its desirable long-term result. Also, it can be interpreted as a multilevel process in which three different degrees of engagement are recognizable: (1) citizen information, (2) citizen consultation and (3) effective citizen participation intended as co-decision (Malena et al., 2004). Due to its features, PR can be associated with citizen engagement. According to Jordan et al. (2016), PR can increase trust in government, build social capital and raise the level of citizen participation in decision-making. A transparent financial report to citizens can be considered a starting point for a concrete involvement of citizens in the decision-making process, which may constitute a first step towards enhancing democratic participation (Langella et al., 2021). The dissemination of properly designed PR can facilitate communication between governments and citizens and pave the way for future dialogue (Manes Rossi et al., 2020).

On the other hand, while it is clear that PR contributes to a better-informed public, the literature does not provide many details about the way to connect financial reporting to participation, and scarce evidence exists on the effective capacity of good reporting to mobilize citizens (Kloby, 2009). Some scholars (Muthomi and Thurmaier, 2020; Ruijter et al., 2020; Worthy, 2015) believe that, at least in some contexts, greater transparency does not necessarily imply more citizen engagement in government. Langella et al. (2021) have underlined ‘the need to untangle the relationship between transparency and public participation and, particularly, to clarify the mechanisms that may link the former to the latter’ (p. 2). In their study, they have found that understandability is a crucial prerequisite of usability of information. More precisely, users become more active only when they believe they have a subjective understanding of the report, independently from the objective comprehension of its content. This is in line with the study by Porumbescu et al. (2017) where they find that ‘policy support was highest among those who felt they understood the policy best yet possessed the lowest levels of actual understanding’ (p. 990). This means that citizens are inclined to participate only when they have the perception of a good understanding of information they are provided with. At the same time, as pointed out by Franklin and Ebdon (2007), public participation supports citizens’ understanding and, consequently, enhances their activism. The mutual relationships between transparency, understanding and active participation may lead to postulating a kind of ‘virtuous circle’ where these elements corroborate each other (Langella et al., 2021). In this regard, Muthomi and Thurmaier (2020) talk of a need for a ‘participative transparency framework’ to favour effective and aware citizen engagement.

In this framework, composed of a set of different instruments and techniques, citizen engagement can be multiplied by the use of technology and, particularly, the Internet (Cohen,

Mamakou and Karatzimas, 2017). Scholars have shown how the consideration of citizens' sentiment through the analysis of their use of social media (such as Twitter) 'increases the administration's narrative and decision-making capacity. Social media platforms can be used for dialogic purposes in combination with PR, which is useful for communicating the financial and non-financial results/resources to provide citizens with a variety of public services' (Grossi et al., 2021, p. 80). Not only are they used to effectively disseminate information but also to collect immediate feedback from citizens (Bellucci et al., 2019; Royo, Pina and Garcia-Rayado, 2020). As stated by Cho and Melisa (2021), 'social media and digital technologies are seen as important enablers, allowing real-time interactions between government and citizens with almost no cost' (p. 2). Despite possible divides in access and skills, the growing use of social technologies is seen as a good opportunity by scholars to promote civic engagement, especially among young people (Bennett, Freelon and Wells, 2010). In this sense, PR and citizen-centric technology innovation might be the keys to direct dialogue (cf. Chapter 13 in this volume; Secinaro et al., 2021). At the same time, the literature has started to reveal some dysfunctions in ICT usage (Halacmi and Greiling, 2013) and it is unclear if and how much the adoption of social media leads to effective two-way communication. What is controversial is the transformative capacity of social media in terms of reciprocal communication and in-depth dialogue (Crump, 2011). The risk is that the process remains top-down in substantial terms (Unsworth and Townes, 2012).

The crucial problem remains how to stimulate a bi-directional interaction between governments and citizens. In this sense, Manes Rossi et al. (2020) made an explicit call for investigation of 'possible relationships between the publication of PRs and the participation of citizens in initiatives adopted by local governments to enhance democratic participation, such as participatory budgeting (PB), focus groups, and citizens' consultation initiatives' (p. 108). PB in particular is seen as a practice in which citizens can actively affect decision-making in public administrations (Bartocci, Grossi and Mauro, 2019). Based on the literature on this issue, Lorson and Hausteine (2020) have provided some ideas for inspiring the preparation and dissemination of public sector reports. We have adapted some of these ideas to draw a conceptual framework which should lead to a PR process oriented to promote participation. This scheme of analysis is composed of eight main principles (Table 15.1) and can be applied to effectively investigate empirical cases of PR implementation.

Table 15.1 Principles of PR to promote citizen engagement

Principles	
1	Leading role played by financial officers
2	Connection to budgeting
3	Early citizen involvement
4	Use of two-sided communication
5	Possible use of third-party intermediation
6	Special selection of topics
7	Dissemination through advanced media and multi-channels
8	Promotion of the initiative to educate citizens

Source: Our elaboration from Lorson and Hausteine (2020).

Leading Role Played by Financial Officers in Combining Financial and Non-Financial Perspectives

Chief financial officers often play ‘a leading role in determining the style and extent to which financial information is communicated to external audiences’ and their perspective cannot be disregarded (Kloby, 2009, p. 367). On the other hand, in non-financial reporting initiatives (i.e., PR), other departments and internal actors may be engaged and influence significantly the reporting process (Yusuf and Jordan, 2015). We believe that PR should remain in the realm of accounting, although a change in the value structures is needed (Orosz, 2002). Administrative staff should look at reporting not just as a technical product of accounting, but officers are required ‘to place the same significance on citizens’ views by respecting and weaving community values into the reports’ (Lorson and Haustein, 2020, p. 66).

Connection Between PR and Budgeting

Understanding and engagement of citizens may be favoured when PR is connected to the budgeting process of the same year, respecting the fundamental rule of the rational financial management (Lorson and Haustein, 2020). Ebdon (2002) reports that some public entities make use of shortened budget reports, and some kinds of popular budget can be detected. In this case, a symmetry between budgets and reports can be tried. Moreover, a clear connection of PR to PB, when it exists, is highly recommended (Manes Rossi et al., 2020).

Early Citizen Involvement in the Reporting Process

Citizen engagement can be seen as both an output and input of the reporting process. PR can constitute a basis for future dialogue with citizens, but it can itself be a result of a participatory process. The content and style of reporting can be agreed with citizens through questionnaires, forums and personal dialogue. In these cases, a popular report can be interpreted as a product of a coproduction process between preparers and users (Tommasetti et al., 2020). Public administrations should also disclose how input collected from citizens is used. Moreover, the creation of stable feedback loops with citizens should at least be considered (Lorson and Haustein, 2020).

Use of Two-Sided Communication

PR should be designed as a dialogic tool (Grossi et al., 2021). In this view, accounting should offer alternative visions of what should be accounted for, with special attention paid to those who are usually marginalized in accountability processes (Brown, 2009). This means accessibility and understandability of reports also for non-expert users who should be enabled to ‘counter-account’ what is reported (George, Brown and Dillard, 2021). Dialogue implies a plurality of views that can be expressed, and diverse stakeholders should be given the best information to be able to interact. ICT devices might offer some contribution on this issue (Cho and Melisa, 2021).

Possible Use of Third-Party Intermediation

Citizens are constrained in their time, expertise and attention resources, and third-party intermediation can be crucial for their inclusion in budgeting (Justice and Dülger, 2009) and also in reporting (Lorson and Haustein, 2020). Such a role can be played by grass-root initiatives, non-profit organizations and press involvement (Ebdon, 2002). Also, the role of experts and external advisors can be important (Aleksandrov, Bourmistrov and Grossi, 2018).

Special Selection of Topics to Report

The content of reporting is important to stimulate active civic engagement. In this sense, good PR should comply with the following requirements:

1. Reports should reveal, briefly and also through narratives, the public entities' strategy so that citizens can get involved and can provide feedback (Kloby, 2009);
2. The main focus should be on controllable issues in a way that citizens can assess what has been done in respect of what could have been done. Also, citizens should understand reasons for uncontrollable issues with the effect of reducing potential cynicism (Miller and Evers, 2002);
3. Reporting should be conveniently extended to social and environmental dimensions and possibly a kind of integrated reporting logic should be applied, also adopting the six-capital framework (IIRC, 2013);
4. In general, reporting on (micro)projects instead of general-purpose information is preferable (Barbera et al., 2016; McCall and Klay 2010);
5. Citizen participation is generally possible when a long-term horizon is respected. So, a balance between short- and long-term perspectives should be considered (Yusuf and Jordan, 2012).

Use of Different Ways of Reporting and Especially Use of Advanced Media and Multi-Channels

PR should be disseminated through various traditional and innovative channels. However, the use of popular social media can help to create additional room for a two-way dialogue, favouring democratic participation (Caba Pérez et al., 2005). PR, implemented through technology innovations, can be the occasion to promote innovative forms of dialogue (Bellucci et al., 2019; Grossi et al., 2021; Secinaro et al., 2021). In this sense, a combination of a plurality of channels should be used (Clark et al., 2013).

Promotion of the Initiative to Educate Citizens to Participate

Citizens may be reluctant to participate. Previous studies conducted on the theme of PB (e.g., King, Feltey and Susel, 1998) have highlighted difficulties in getting authentic and long-lasting engagement. Therefore, initiatives to educate citizens on the value of participation and also enhance the quality of PR are at least appropriate. These may include seminars, awards for citizen-based reporting, surveys, online forums and citizen memberships in the budget and report committee (Lorson and Haustein, 2020).

THE RESEARCH CONTEXT: MONITORING PR PRACTICES AT A LOCAL LEVEL IN ITALY

Before applying this framework to investigate a specific case study, we aim to provide a general overview of the Italian PR experience. In 2011, the Italian government started a significant and gradual process of renovation of public sector accounting (the National Accounting Harmonization) and, amidst many innovations, it was established that public administrations have to publish a ‘simplified report for citizens’ (*rendiconto semplificato per il cittadino*). According to the legislative decree 118/2011, this report must contain a summary of data extracted from the general-purpose financial report. In particular, it must highlight the resources allocated for the institutional goals of the entity and the results obtained in terms of services provided to citizens. Every regional and local government must make this information publicly available through their official website. Indeed, the subsequent legislative decree 33/2013 on publicity and transparency of public administrations reiterated the obligation to publish annually financial data extracted from their budget and financial report in ‘a concise, aggregated and simplified form, also using graphic representations, in order to ensure full accessibility and comprehensibility’ (art. 29). However, no guidelines or specific formats are provided by the legislator, so local governments have full discretion in preparing them (Del Gesso and Romagnoli, 2020).

Even before those legal interventions some municipalities had started experimenting in the field of citizen-oriented reporting, even though no proper popular reports were prepared and published (Steccolini, 2007). While great expectations arose as a consequence of the decrees of 2011 and 2013, few PR cases have been detected and investigated by scholars so far. Precisely, two single case studies were analysed in terms of voluntary experiences, which concern the municipality of Milan (Barbera et al., 2016) and Turin (Biancone et al., 2016; Grossi et al., 2021). Romolini and Ricci (2018) investigated three municipalities and three regions which released some form of popular reports in 2017. More recently, Del Gesso and Romagnoli (2020) analysed accessibility and readability of PR in a sample of 45 cases. However, very little is known about the reports prepared and published by municipalities that have decided to be actively engaged in PR.

In order to get a first whole measure of the practice in Italy, we launched a search on the Internet through Google. Specifically, we used 14 different keywords to identify citizen-centred reports – and not only financial reports. In so doing, we found 87 municipalities that have published at least one citizen-centred report on the Internet since 2014. More precisely, we found 67 municipalities adopting PR, but also cases in which local governments have committed to citizen-oriented budgets. In this regard, we can talk of popular budgeting (PoB). Table 15.2 presents the number of cases in which only PR has been implemented, cases in which only PoB was detected and cases in which PR has been associated with PoB.

Table 15.2 *Cases of PR and/or PoB in Italian municipalities*

Types of report	#
PR	33
PoB	20
PR + PoB	34
Total amount	87

Briefly, we can affirm that, despite the legislative obligation, the reports available are still few. It is to be considered that presumably many municipalities make use of Openbilanci,¹ a free platform that gives users information about the most important financial data of every Italian municipality, also computing standardized indicators and offering graphic visualizations. It represents a ‘shortcut’ to which many local governments have turned to avoid direct engagement with the PR issue. Moreover, it is worth noticing that in half of the cases we detected (34 out of 67), reporting is combined with PoB.

The adoption of some kind of citizen-centred reporting does not seem related to the size of municipalities involved, though most of the adoptions have happened in municipalities with fewer than 50,000 inhabitants and, particularly, in small communities with a population between 5,000 and 15,000 inhabitants (Figure 15.1).

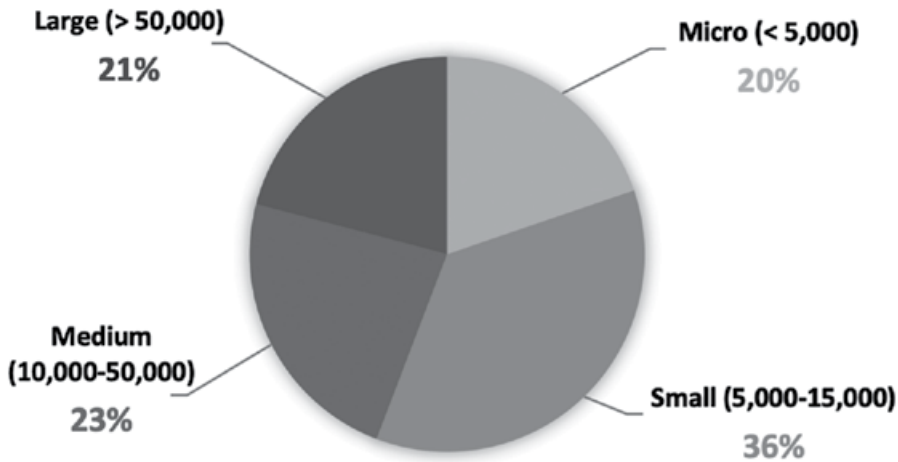


Figure 15.1 Size of municipalities involved in PR and/or PoB

In terms of geographical distributions, a certain concentration of cases in some Italian regions is acknowledged (i.e., Lombardy, Tuscany, Trentino and Puglia). Several factors could explain this phenomenon, such as the leading role of some cities, the influence of experts and advisors, and the existence of networks among small municipalities belonging to the same area.

Now, we focus our attention on the number of cases of ‘pure’ PR published each year since 2014 (Figure 15.2).

It seems that the practice would be characterized by a certain degree of stability, but other data give the impression of a high-fragility-and-volatility phenomenon. In Figure 15.3, the number of new and interrupted cases of PR are counted and we can see that each year some cases were stopped.

The result is that only in 40 out of 67 cases has the practice been repeated at least three times, tracing a possible institutionalization of PR (in 18 cases, PR was adopted only once; in nine cases, it was repeated twice).

The focus is now shifted to the popular reports referred to in 2020, the last reporting year, and we count 39 municipalities that we can assume as active cases. Most of these municipali-

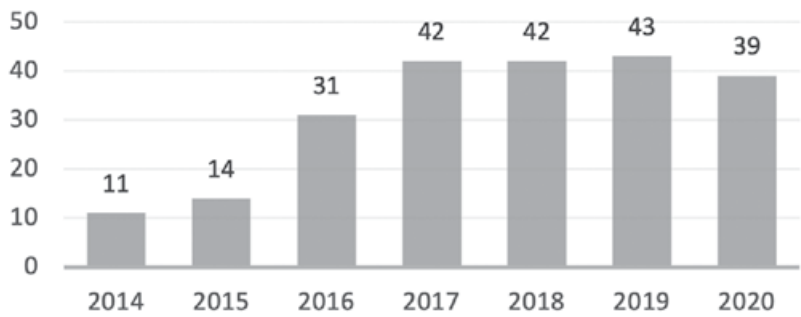


Figure 15.2 *Number of cases of PR per year*

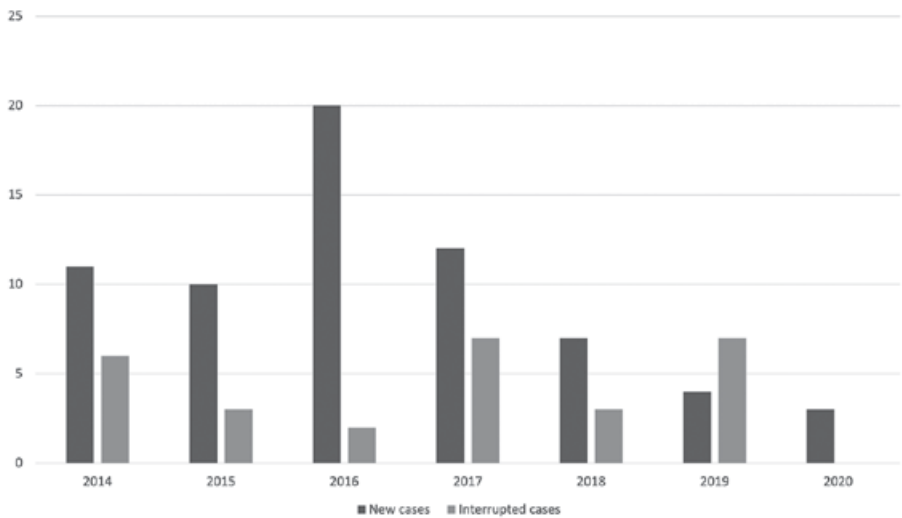


Figure 15.3 *New and interrupted cases per year*

ties (19 cases) can be considered rather experienced given the fact that the PR adoption started five years ago or more. Furthermore, we recognize a certain degree of vitality in our sample from the fact that eight municipalities have decided to be engaged in this practice in the last two years.

Also, a possible correlation between the use of citizens-oriented budgeting and reporting instruments may be supposed: in 24 out of 39 active cases, PR is combined with PoB. In this regard, we detected that the PR adoption came earlier than that of PoB in 15 cases. Both the instruments were sometimes (in six cases) introduced together in the same year, but rarely (only in three cases) was PoB implemented earlier than PR. That means that PR seems to be a good start to approach the issue of citizen engagement and, subsequently, this approach can entail other practices, such as budgeting.

THE CASE OF CASTEL MAGGIORE

In this section, we examine the experience of PR in the Municipality of Castel Maggiore. We selected this case because PR was adopted in a special participatory environment with the specific aim of increasing citizens' activism. The sources of this analysis are the popular reports published by the municipality in 2020 and 2021 and, following an interventionist case study approach (Korhonen et al., 2021), dialogues and knowledge acquired by one of the co-authors as a member of the team which has coordinated the reporting process.²

Castel Maggiore is a town with 18,631 inhabitants, located in North Italy, which belongs to the metropolitan area of Bologna. The municipality has reported population growth in recent years, marketing itself as an attractive place with a strong spirit of territorial development and innovation.

In 2019, the municipal executive board (mayor and aldermen) decided to implement a PR process, and the choice was subsequently approved by the town council. This decision stemmed from the awareness that:

difficulties in decoding the data of an articulated and complex financial report can be a harbinger of feelings of disaffection and disinterest in respect to politics and this can prevent citizens from exercising their right as voters with full awareness. At the same time, this disaffection penalizes those who are engaged in politics and believe in their service of the common good. (Belinda Gottardi, Mayor)

Local politicians feel the risk that citizens miss a full perception of the complexity of the political and administrative action and of the proper sense of the 'numbers' presented in a financial report. In the same vein, according to Matteo Cavaliere, the alderman responsible for the financial management of the municipality, a good popular report should allow citizens to answer common questions such as 'Which sectors affect the economy of our town most? How many resources does our local government manage? How much does the municipality invest in services? How many workers are employed in the government of the town? How many square meters of greenery does it manage?' In the end, it seems that a strong political commitment is recognizable in the initiative and that promoters have been looking for greater legitimacy and better accountability. Also, they believe that citizens who are more aware of their local government performance are more inclined to be civically responsible and engaged.

It should be considered that Castel Maggiore is situated in a region with a strong civic tradition. Moreover, the municipality has been ruling in conditions of political stability for a long time and several tools of citizen engagement have been introduced over time. In this regard, we want to underline three specific initiatives.

Firstly, a PB process has been adopted since 2003, though some significant changes were introduced over time (Bartocci et al., 2019). In its last edition, this practice consisted of a budget of €10,000 to allocate for investing in decisions proposed and voted on by citizens. We can affirm that this experience is less central and relevant compared to the importance it had when it was initially introduced.

Secondly, a system of advisory boards has been created over time. Some of them are arranged on a territorial basis and correspond to the main town's neighbourhoods – they represent kinds of territorial public hearings. The others are 10 thematic boards (e.g., welfare, environmental sustainability, youth, sport and leisure) and here citizen participation is more targeted – in general, they are composed of experts and representatives of interest, even though they are free-access. Those boards are summoned to share information on specific issues and

debate possible political choices. Their role is not binding, and they are also involved in the PB process to select projects to propose to citizens for voting.

A third element is the creation of Civics, a kind of informal ‘platform’ which is regularly (often on a monthly basis) used by the mayor or other members of the executive board to share knowledge about specific issues that may interest citizens, and to debate possible future political choices and collect input from citizens. Meetings, which are aimed at all citizens, are often held in person, but online events are also possible. Experts and/or politicians at regional and local level are sometimes invited as speakers. In the end, we can affirm that people from Castel Maggiore are rather accustomed to being part of a debate and sometimes co-deciding local issues.

In this ‘participatory environment’, to support the design and first implementation of PR (known as Bilancio POP), the municipality signed an agreement with a team of researchers from the Department of Management of the University of Turin. A ‘scientific committee’ and a ‘technical committee’ were created to supervise, coordinate and promote operational activities for realizing and disseminating the report. Academics and elected and non-elected officers are engaged in these bodies. A project manager has appointed the general secretary of the municipality.

The case is clearly inspired by that of the City of Turin (Grossi et al., 2021), but there is the clear purpose to step forward from this model and, especially, to use PR to promote greater citizen engagement. The attempt has been to apply an integrated logic of reporting, and all the entities (e.g., foundations and associations) through which the municipality delivers services for its citizens have been included in the report. At the same time, an effort to produce readable accounting data has been made. Moreover, the aim is to make PR a base to promote dialogue and participation, favouring the involvement of stakeholders.

With regard to the definition of the group reporting unit, it has to be considered that Castel Maggiore is a member of an intermunicipal union (Unione dei Comuni Reno-Gallaro), a network created through an agreement between eight Italian municipalities in the metropolitan area of Bologna to share the management of some services (e.g., local police, public safety, urban planning, statistics). The performance of Castel Maggiore in these fields is systematically monitored by the union, guaranteeing a kind of third-party supervision and assurance of data which are disclosed through PR.

At an initial level, the topics to report are decided in the light of the composition of the municipal multiyear budget and, especially, of the objectives and strategies illustrated by the institutional documents prepared by the municipality by law. Elements coming from those documents are integrated with others derived by intermunicipal agreements voluntarily signed by the municipality (i.e., the pact against the climate change). Further elements can stem from the performance report released by Unione dei Comuni Reno-Gallaro.

At a second level, inputs coming from Talkwalker are incorporated. This is a social media monitoring system which provides analytics on the sentiment of citizens in respect to topics and issues which refer to the local government. This technological instrument identifies the main topics discussed on social media, and provides data on the contents of discussions, an assessment (positive, negative and neutral) of users’ sentiment and information on them (e.g., their age and occupation). The basic idea is to use this algorithm to reshape the content and presentation style of the report. In this way, a kind of interaction with citizens is established. As Alderman Matteo Cavaliere affirms: ‘Citizens’ ideas are a precious resource that every

public official should treasure. At the same time, reporting becomes a tool for mapping the progress of the mandate program.’

In fact, the use of Talkwalker started after the publication of the first PR to refine the preparation of the second edition. Since the fact that, based on social media, citizens showed a special interest in understanding subsidies received from the Italian central administration and their use in local service delivery, in the PR 2020 (published in 2021) more specific data and information have been included in respect of the previous edition. With the same logic, in the last document more information is disclosed on cultural initiatives organized in 2020. Finally, the textual part has been reduced and infographics have been emphasized.

More in general, the composition of the population in terms of educational level and wealth distribution has led the municipality to boost the use of the Internet and social media to communicate with citizens. Also, it is believed that the digital divide in this area is less deep than in the rest of the country. In terms of PR, this means that for every microproject which is included citizens can use a QR code to collect more in-depth information.

The PR 2020 resulted in the publication of a 56-page booklet which has been distributed to all the residents since December 2021. The report is also available online.³ Table 15.3 shows a summary of the contents.

Table 15.3 Content of Bilancio POP 2020 of Castel Maggiore

1. Analysis of the territory	2. Highlights of the consolidated financial report
3. The Unione Reno Galliera	4. Welfare
5. Urban planning	6. Culture, sport and leisure
7. Local police	8. Community
9. ICT	10. Industries
11. Public transportation	12. Public green and environment protection
13. Infrastructure maintenance and energy saving	14. Post-earthquake reconstruction
15. PB	16. Communication
17. Acknowledgements	18. Methodological note
19. Dissemination plan	

To reinforce feedback from citizens, an online questionnaire was administered in 2021. This was to get better knowledge of their perception of PR and of the methodology applied, and to collect input for a better selection of topics. The response rate has not been high so far (around 1 per cent of the population, with an average age of 27 years old). Respondents have largely expressed appreciation for the practice in terms of better citizens’ understanding of public service management (about 81 per cent of positive feedback). Most of them (71 per cent) have little concern about the intrusiveness of technology usage to detect citizens’ sentiment. In terms of PR content, more information is particularly requested with reference to local tax burdens, with the suggestion to favour comparison to other municipalities.

Moreover, the final draft of the report was submitted to the technical advisory boards to collect reactions and further comments. Main feedback stemmed from the boards devoted to welfare, youth and sustainability. Advisors recommended that a gender perspective should be implemented in the future and also some sustainability issues should be emphasized.

Input from the questionnaire and the advisory boards is supposed to be incorporated in the next edition of PR.

Its presentation took place with a public conference that was also broadcast on social media. The report was previously approved by the town council. Dissemination was made through

different and complementary steps: a booklet version was distributed to all the households in the town (numbering 8,434) and to other main stakeholders (e.g., voluntary organizations, public workers and chartered accountants). The booklet is still available at the local hospital, main public offices and post offices. Also, the report has been disseminated through social media managed by the municipality with the possibility to give feedback.

DISCUSSION

In this section, we use the framework presented in the third section to examine the experience of the Municipality of Castel Maggiore. We proceed point by point.

Leading Role Played by Financial Officers

The impulse to adopt PR came from the alderman in charge of the financial management of the municipality. Two special committees were set up, one with a more scientific nature and the other responsible for technical tasks. Financial department members have worked in the technical committee in particular. The project manager is the municipal general secretary, and the chief of the communication office has also been actively involved in the work. These choices signal that the project aims to have a general scope and go beyond accounting. However, the process design and content of the report reveal a persistent ‘accounting matrix’ of the initiative as recommended in the literature (Lorson and Haustein, 2020).

Connection to Budgeting

The PR preparation starts from the examination of the municipal planning and programming documents. In a specific section of the report, a short version of the three-year-missions-based budget is presented. At the same time, there is no reference to strategic choices and objectives declared in planning documents. Also, in the sections devoted to reporting specific functions or services provided in the year, no comparison with the budget is made. In this regard, more could be done to connect PR to the decision-making process (Lorson and Haustein, 2020).

Regarding the participatory budget, it is an experience that has been going on in Castel Maggiore for many years and one that has changed a lot over time. Currently, the impression is that it is rather marginal in the political decision-making processes. In any case, a specific section to highlight it is included in the popular report, even though those initiatives are managed separately.

Early Citizen Involvement in the Reporting Process

Involvement of citizens follows three different paths in Castel Maggiore: presenting and debating the report with the advisory boards, collecting feedback from citizens through the online questionnaire and monitoring citizens’ sentiment via Talkwalker.

The first way is more traditional and is in line with what has happened in other countries (e.g., the US) for a long time (Ebdon, 2002). It is a mode in which citizens decide spontaneously to be engaged, and may favour discussion and dialogue among participants. The major limitations relate to the fact that participation is highly targeted and quantitatively limited.

Besides, in the case of Castel Maggiore, advisory boards are involved only once the report is completed and feedback is acquired only for forthcoming processes. It is worth noticing that, in the last edition, new ideas have stemmed only from boards where young people are involved.

In the same way, the questionnaire allows the collection of comments and proposals only after the report has been prepared. It should be conceived as an initiative to boost the initial phase of PR, but not in a permanent way. The experience of Castel Maggiore shows that it is not easy to obtain broad-based answers and confirms that it is the young population who are more inclined to be active (Bennett et al., 2010).

The most relevant innovation is the use of algorithms to evaluate the sentiment of citizens and guide the style and content of the PR. In fact, Talkwalker allow preparers to collect information in real time (Bellucci et al., 2019; Cho and Melisa, 2021; Royo et al., 2020), to observe trends and then to reshape the contents of the report (Grossi et al., 2021). Between the first and second rounds of PR some significant innovations were introduced in the light of orientations provided by this technology.

Use of Two-Sided Communication

Undoubtedly, the creation of a stable and multiform dialogic environment is a path with promising potential in terms of stimulating democratic activism (Grossi et al., 2021; Lorson and Haustein, 2020; Biancone et al., 2019). The effort made by Castel Maggiore is impressive in this sense, also considering the fact that no legal obligations exist on this regard. However, it should be noted that the provision of the instruments does not ensure an effective two-sided communication per se. This limit mainly concerns the use of online tools and, in particular, of Talkwalker. In fact, there is the risk that collection of feedback or sentiments from citizens would be a top-down process with no interaction (Crump, 2011; Unsworth and Townes, 2012). To get a lasting and motivated citizens-based commitment, previous literature (Brown, 2009; Langella et al., 2021; Muthomi and Thurmaier, 2020) recommends stimulating their understanding, their awareness and their possibility to access spaces of contestability.

Possible Use of Third-Party Intermediation

Activity by external actors is recognizable in our case study. A significant role was played by researchers from the Department of Management of the University of Turin with the task of supporting and verifying the correctness of the reporting process. However, their action is rather different from an intermediation and is more similar to supervising and assurance. At the same time, the involvement of the financial offices of Unione Reno Galliera is merely technical in providing data. We can conclude that in the experience of Castel Maggiore a direct contact with citizens is pursued.

Special Selection of Topics

The first selection of the topics reported in the document is based on the allocation of the financial budget and the scientific committee's assessment of the political importance of the issues. Substantially, the reporting format is organized on a functions basis and, sometimes, is based on offices. Changes and adjustments have been made after the first edition in the light of

citizens' feedback. The idea is of building a kind of automatic process which can incorporate the interest of citizens detected through social media.

With respect to the elements that constitute our framework, so far little attention has been paid to the presentation of public policies and little emphasis has been given to micro projects carried out to realize those policies. Furthermore, a more explicit application of the six-capital integrated reporting framework (Biancone et al., 2019; Cohen and Karatzimas, 2015; Manes Rossi, 2019) may be used in the future.

Dissemination through Advanced Media and Multi-Channels

For disseminating the report, a precise strategy composed of different tools has been planned. The booklet version was distributed to all the households and other main stakeholders. Also, the booklet was made physically available at some strategic points of the town. At the same time, a digital version was shared via the Internet and social media. In this way, a combination of traditional and innovative channels is used (Clark et al., 2013).

Promotion of the Initiative to Educate Citizens

The most convincing aspect is that PR is promoted in a broader environment composed of different participatory initiatives. Some of them (i.e., PB) are rooted in time; others are not occasional but regularly activated (i.e., Civics). These instruments may contribute to creating a positive feeling towards PR – indeed, first results of the questionnaire confirm this point. However, at this stage no initiative is specifically focused on educating citizens in becoming more aware of the relevance of the reporting process. Literature has shown that understanding (especially subjective understanding) is crucial to generate active citizens (Langella et al., 2021; Porumbescu et al., 2017).

CONCLUSIONS

Recently, both scholars and practitioners have paid particular attention to potentialities of PR as a tool to increase transparency and accountability and to contribute to building democratic governance (Langella et al., 2021). This chapter is particularly focused on possible linkages between PR and citizen engagement (Manes Rossi et al., 2020). In this sense, a specific conceptual framework based on pre-existing literature has been elaborated and presented. Following a normative approach, the idea is to provide principles which should lead to a good PR design as a way to stimulate effective participation and assess empirical practice of PR.

Specifically, our study investigates Italy, a country in which a kind of PR is mandatory by law. Despite this obligation, our recognition shows that few municipalities are actively engaged in PR. This means that making this type of tool mandatory is not convenient, and this is especially true when institutionalized 'shortcuts' exist (see Openbilanci). A significant insight comes from the small number of Italian cases which are detectable: PR can succeed when it is intended as a way to approach the issue of citizen engagement.

In this sense, we decided to thoroughly analyse a specific case study: the municipality of Castel Maggiore, as a possible benchmark for experiences which aims at promoting better transparency in reporting and civic activism. Our empirical examination reveals that in the

experience of Castel Maggiore some aspects have been valued (e.g., the combination of financial and non-financial logics, the creation of a stable citizens' feedback loop, the use of technology, the progressive reshaping of content and style of reporting, and the adoption of a multi-channelled dissemination plan), while other aspects should be developed in the future (e.g., connection to budgeting, a clearer system of two-sided communication and better integration between topics).

Generally, our case study confirms the importance of creating a participative framework composed of a set of different instruments and with a consistent style of governing (Muthomi and Thurmaier, 2020). In particular, in Castel Maggiore a great effort has been made to build a stable system to incorporate citizens' feedback (Lorson and Haustein, 2020). In this system, special importance is given to technology. In particular, thanks to the use of Talkwalker, sentiments of citizens on specific public policies can re-orient PR design and preparation. The intentionality that PR stimulates cooperation and dialogue with the citizen is obvious. However, the process is still strongly rooted in a top-down perspective (Unsworth and Townes, 2012) and characterized by a lack of familiarity on the part of both governors and citizens in understanding potentialities of digital dialogue facilitators (Chapter 10 in this volume).

These issues represent key challenges for those public administrations which try to build a new relationship with their citizens. Possibly, a greater integration between the various participatory initiatives should be pursued. At the same time, the fact that the technological instrumentation cannot completely replace the traditional form of relationship and communication should be considered in the future.

NOTES

1. <https://openbilanci.it/>.
2. The authors offer special thanks to Dr. Valerio Brescia for sharing information and data.
3. <https://www.sfogliami.it/fl/237650/vc6hh1uubu2rtp5czugzppeh9sc4sk5#page/1>.

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16. Internet reporting and digital governance: evidence from multiple Italian municipalities

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INTRODUCTION

Citizens increasingly demand information about the processes of public institutions, investment choices, and sustainable policies (AbouAssi, Nabatchi and Antoun, 2013; Almquist et al., 2013; Grossi and Trunova, 2021). In recent years, several opportunities have affected the public sphere. For instance, data and information may be reported through public documents or websites (Divay and Micheau, 2016; Domarkas, Laukaityte and Mačiukas, 2012). In other cases, they may be shared directly using social media (Grossi et al., 2021). These opportunities are merged with the lens of ‘internet reporting’. Despite different ways of sharing, citizens are interested in reading simple documents. Therefore, the problem of *how* information is shared has been replaced by the problem of *what* is shown in public records (Cohen and Karatzimas, 2021; Grossi et al., 2021).

Citizens call for simple documents with few pages and some graphic elements to activate dialogue initiatives (Grossi et al., 2021). This brings the citizen closer to politics and allows for greater interest in spending public resources (Brescia, 2020). Therefore, on the one hand, the advent of the internet enables public institutions to be more transparent; on the other hand, citizens do not appear interested in information excess, but in clear and direct elements (Biancone, Secinaro and Brescia, 2018). This was also indirectly confirmed by Gallego-Álvarez, Rodríguez-Domínguez, and García-Sánchez (2010), who found that using the internet as a communication channel between public administration and citizens does not lead to electoral gains.

As mentioned, technology diffusion makes it is possible to expand communication and transparency of information between municipalities and citizens (Erkut, 2020). These elements may include digital social participation in government processes, participatory public choices, or digital voting (Afzalan and Muller, 2018; Brescia, 2020; Secinaro, Brescia, Iannaci and Jonathan, 2021b). All these initiatives require precise procedures integrated into the policy instruments of a municipality (Williamson, 2014). At the same time, mandatory laws may reach transparency (Sáez-Martín, López-Hernandez and Caba-Perez, 2017).

Therefore, as suggested by Bannister and Connolly (2012), digital tools require unitary governance, just like all other activities provided by public authorities.

As defined, the spread of digital technologies also promotes innovation in the traditional governance of public bodies. Introducing new tools can encourage citizen participation (Potnis, 2010; Secinaro et al., 2021b; Singh, Goyal and Sharma, 2012) or further confuse and alienate citizens from political life (Williamson, 2015) and boost new digital governance. As defined by Erkut (2020), ‘digital governance’ refers to the management of technical aspects, including software, hardware, and big data analysis. Furthermore, digital governance has

both internal and external elements. Internally, the digital governance guidelines will have to point to a data-driven way of decision-making; conversely, externally, it will be necessary to manage how data is shared with stakeholders. Potential issues may be even more present in bureaucratised contexts. For instance, as defined by Muellerleile and Robertson (2018), with digitisation, public social infrastructures become even more intertwined with codes, algorithms, and big data, leading to operational difficulties.

Moreover, while technology could enable change in public processes, it can remain an obstacle to bureaucratic procedures, effectively derailing any attempt at efficiency. As a general case study, Italy presents a bureaucratic approach in Europe (Anessi-Pessina et al., 2020; Lapuente and Suzuki, 2020; Radcliffe and Dent, 2005). In such countries, the digital governance approach may enforce joint forces to bridge the theoretical gap highlighted and the relationship between participation tools such as information management and communication technologies (ICT) (Pereira et al., 2017). The relationship between collaborative governance and ICT in the new approaches requires a relationship between municipalities and the actors involved, in which the local authority can still define the rules (differentiating itself from the market and network model), applying what is decided in the collaborative process generated by the simultaneous collection and pressure gathered through ICT tools (Yu et al., 2022). As suggested by Klassen, Cepiku, and Lah (2017), digital governance allows for increased public value by working with different partners to collaborate for the common mission of civic well-being. This also requires institutional cooperation and coordination to manage public representation (Mandell and Keast, 2008). The approach to collaborative governance is one of the three pillars of public sector accounting. Through citizen engagement and inclusiveness, it guarantees a social and dialogic approach that takes the form of non-financial performance, participatory budgeting, and alternative reporting forms (Grossi and Argento, 2022). The digitisation process adopted for smart cities and accessible elements should support governments in the process of democracy and achieving social well-being oriented toward efficiency and effectiveness (Sargiacomo, Ianni and Everett, 2014).

Therefore, there is a need to boost the theoretical and practical connections between digital governance and internet reporting, especially in those countries that are highly bureaucratic, and to investigate whether there is any rigidity in the application of such theoretical assumptions in practice (Valentinetti and Flores Muñoz, 2021; Xiang and Birt, 2021).

For all these premises, the research question (RQ) investigated is: how do internet reporting and digital governance make theoretical connections, and how do they emerge in the public sphere?

Our research will investigate two elements through a multiple-case-study approach and a qualitative methodology. First, we explore the theoretical link between the literature on digital governance and internet reporting in theory and practice. Second, we explore the theoretical variables for creating a digital governance framework for municipalities by observing 20 Italian cities with the highest digital transformation ranking (iCity Rank 2020 Report) (Forum PA, 2020).

As research tools, we use public sources such as municipalities' websites and the 'Transparent Administration' section included among the devices in use.

The analysis can provide two main results: first, the level of adoption of digital governance tools in Italian municipalities; second, the level of transparency in internet reporting by classifying the information available by law and verifying any additional elements included.

Our chapter will join the digital governance and internet reporting literature by extracting theoretical variables for transparency and public dialogic capacity in terms of the theoretical lens.

At the level of practical implications, our chapter intends to establish a dialogue with managers and public decision-makers by providing a map of the application of theoretical experiences and insights for future improvement of interaction with citizens.

The chapter is organised as follows. The second section provides an in-depth analysis of digital governance and internet reporting literature flow. The third describes the methodology used in our study. The fourth section presents the study's main findings. The fifth provides an in-depth discussion of them, and finally, the sixth section concludes our research with theoretical and practical implications.

LITERATURE REVIEW

Internet Reporting

Municipalities increasingly use the internet to disseminate financial and non-financial information (Styles and Tennyson, 2007). The spread of the internet and increasingly widespread data storage capacities allow public administrations to make available and freely downloadable documents that were previously tricky to access (Joseph, Pilcher and Taplin, 2014). As is often the case, increased transparency responds to specific financial reporting reforms by local or central governments. As demonstrated by Laswad, Fisher, and Oyelere (2005), this is the case in New Zealand, which in the 1990s embarked on a policy of uniformity of freely accessible information in both the public and private sectors. The same happens in other countries, such as Spain (García and García-García, 2010) or Italy (Baggio, Mottironi and Corigliano, 2011).

The availability of tools, together with increased transparency, means that citizens increasingly demand information on the processes of public institutions, investment choices, or sustainable policies (AbouAssi et al., 2013; Almquist et al., 2013; Grossi and Trunova, 2021). The information reported through public documents and transparent websites constitutes a first-level set where information about municipal choices can be retrieved (Divay and Micheau, 2016; Domarkas et al., 2012). Although there are clear transparency standards, what is reported does not always coincide with citizens' expectations. They call for simple documents with few pages and some graphic elements to activate dialogue initiatives (Grossi et al., 2021). Despite attempts to bring citizens closer to financial information, it is difficult to trigger their interest in complex documents (Brescia, 2020). This can be achieved through technology and reporting via the internet, which is proving to be a collaborative way of making financial reporting more attractive and valuable to citizens, provided it is simple (Cohen, Mamakou and Karatzimas, 2017).

Therefore, if, on the one hand the advent of the internet allows public institutions to be more transparent, on the other hand citizens do not appear interested in information excess (Biancone et al., 2018). Therefore, the first significant research problem concerns the quantity of available financial data together with the ability of citizens to read it.

In addition, alongside the operational complexity and responses of reporting via the internet, it is also helpful to consider how to communicate with citizens. According to Cohen and Karatzimas (2021) and Secinaro, Brescia, Calandra, and Biancone (2021a), the change of

Table 16.1 *Internet reporting – theoretical framework*

Variables	Explained factors	Supporting literature
Transparency	Presence of financial and governance documents of the public administration	Almqvist et al., 2013; Divay and Micheau, 2016
Dialogic	Interactive reports and digital platforms for financial statements	Biancone et al., 2018; Cohen and Karatzimas, 2021; Grossi et al., 2021; Secinaro et al., 2021b
	Self-explanatory and easy-to-read documents	Cohen and Karatzimas, 2021; Cohen et al., 2017
	Easily accessible documents	Cohen and Karatzimas, 2021; Cohen et al., 2017
Social media communication	Presence of social pages for sharing economic, financial, and governance information	Agostino, 2013; Bennett and Manoharan, 2016
Integrated popular financial reporting	A document that summarises economic and financial information easily identifiable by citizens	Brescia, 2020; Grossi et al., 2021

Source: Authors' elaboration.

cities toward so-called smart cities also requires an adjustment in communication methods. The internet enables the extension of the conventional paradigm. This means looking beyond static PDF reports with many pages that are challenging to reach (Cohen and Karatzimas, 2021), and using social networking and citizen-friendly reporting tools or platforms based on real needs (Brescia, 2020; Grossi et al., 2021; Secinaro et al., 2021b). These include Facebook, Twitter, Instagram, and YouTube (Agostino, 2013; Bennett and Manoharan, 2016). Therefore, reporting via the internet can facilitate local governments' administrative and financial facts by bringing citizens closer to democratic processes. The theoretical variables of internet reporting are summarised in Table 16.1.

Digital Governance

In addition to the changing role of reporting with the internet, the classical concept of governance is also changing due to the wave of digitisation in the 2000s (Bannister and Connolly, 2012). However, before focusing on how technology has changed the concept of governance, we consider it essential to refer to some definitions from classical theory. Among the different literature, we note the distinction made by Bannister and Connolly (2012), who distinguish between empirical and normative governance. In the first case, empirical governance refers to processes, structures, authorities, laws, and regulations by which power is exercised vis-à-vis the numerous stakeholders (Bannister and Connolly, 2012; Potnis, 2010; Pushak, Tionsgon and Varoudakis, 2007). In the second case, normative governance refers to characteristics that guide political and administrative action, such as transparency, integrity, efficiency, and accountability. Thus, although the above cannot be described as holistic, it points directly to the distinction between guiding principles and modes of governance. The introduction of digitisation introduces an external element, such as the internet, that promotes changes, especially in empirical governance. This is because delivering both public services and democratic processes changes (Biancone et al., 2018; Potnis, 2010; Secinaro et al., 2021b). But not only

Table 16.2 Digital governance – theoretical framework

Variables	Explained factors	Supporting literature
Corruption	Transparency and presence of corruption management codes	Jordan et al., 2016; Singh et al., 2010
Knowledge management	Platforms for the exchange of information between citizens and municipalities	Machado et al., 2021; Potnis, 2010; Singh et al., 2012
	Voting platforms on specific projects are at the disposal of the citizens	Potnis, 2010; A. Singh et al., 2012; Secinaro et al., 2021b
Quality governance	Regular updating of open data on municipal websites and partnership with multiple stakeholders	Charalabidis et al., 2018; Janssen et al., 2012

Source: Authors' elaboration.

that. As stated by G. Singh et al. (2010, p. 65), reiterating the definitions of Jain and Ramani (2005): 'E-governance is defined as the application of information and communications technologies (ICTs) in a system of governance, to bring in simple, moral, accountable, responsive, and transparent (SMART) governance.' Thus, technology becomes a means to increase the visibility of municipalities to citizens (Chapter 3 in this volume).

Moreover, as reported in a study by Singh et al. (2010) in India, Ethiopia, and Fiji and reaffirmed by Jordan et al. (2016), through digital governance and reporting it is also possible to increase the relationship between the citizen and the municipality by limiting possible forms of corruption.

Furthermore, according to Potnis (2010) and A. Singh et al. (2012), digital governance enables active participation, information exchange, and knowledge management (KM) between municipalities and citizens. Or, as indicated by Koussouris et al. (2015), thanks to digitisation it is possible to observe policymaking 2.0, in which citizens share practical recommendations to municipalities.

However, while new opportunities emerge, as stated by Grossi et al. (2021), Potnis (2010), and A. Singh et al. (2012), there is a need for public administrations to manage more carefully not only the content but also the communication methods undertaken (Machado et al., 2021; Secinaro et al., 2021b). Indeed, as Charalabidis et al. (2018) stated, digital governance also paves the way for managing open data, its quality, and its periodic updating. This is because the excessive availability of information risks is a negative factor in the governance of future municipalities (Janssen, Charalabidis and Zuiderwijk, 2012). The theoretical variables of digital governance are summarised in Table 16.2.

METHODOLOGY

Research Design

This study uses a qualitative approach. Miles, Huberman, and Saldaña (2014) suggest that such methods allow researchers to understand and develop an analytical framework from primary or secondary data. In addition, qualitative research allows phenomena to be investigated inductively (Secinaro, Brescia, Calandra and Biancone, 2021a). This allows, for example,

real-time observation by keeping track of *in vivo* processes and developing new theoretical practices from reality (Reinecke, Arnold and Palazzo, 2016). Moreover, these methodologies allow interpretative approaches that are very useful in the social sciences to ascertain how a phenomenon evolves and create connections and epistemological virtuosity (Dal Mas et al., 2020). Finally, compared to quantitative, qualitative methods leave room for contextual negotiations; i.e., unforeseen changes in the research design that provide added value to the initial contextual assumptions (Damgaard, Freytag and Darmer, 2000; Reinecke et al., 2016). Therefore, we adopted such a methodology by applying a dual approach that considers the theoretical analysis and the empirical validation using an explorative case study (Fløttum et al., 2014; Yin, 2017). In our case, we aim to explore how internet reporting establishes relationships with digital governance.

All the data were extracted and collected during the literature review investigation as the first step. In doing so, we adopted a Scopus analysis using the keywords ‘internet reporting’ and ‘digital governance’ (Secinaro, Dal Mas, Brescia and Calandra, 2021c), considering peer-reviewed and English-language papers.

In the second step, we use an exploratory case study to test the two theories and their variables empirically. Yin (2017) states that the case study method is suitable when the object is a representative case. In this case, the explorative approach does not need specific propositions but is essential to guide research in a general direction addressing one or more specific RQs. Additionally, as suggested by Eisenhardt and Graebner (2007), along the lines of the *Academy of Management Journal*, case studies can enrich the discussion by providing considerable empirical evidence from one or more sources while including archival or observational data. Therefore, using a triangulation approach, real cases, and researchers’ observations could be beneficial to derive theoretical approaches and logical replications in other contexts.

Data Collection and Analysis Process: Italy as an Explorative Case Study

Italy is one of the founding nations of the European Union (Quaglia, 2007). Despite its international and contemporary openness, its governmental subdivision reflects the Napoleonic tradition (Padovani et al., 2020). While strategic and unitary decisions are taken at the central level, local structures give decision-making powers to most municipalities, unions of municipalities, metropolitan cities, provinces, and regions. This division substantially impacts governance and citizens’ perception of public services (Biancone et al., 2018). Thus, while the central government provides general guidelines, the 7,904 municipalities are the public organisations closest to the citizen, providing valuable services such as primary schools, landscaping, social assistance, town planning, commercial licensing, land safety, road management, or waste management, to name just a few (Brescia, 2020). For these reasons, our research is based on municipalities as organisational entities providing direct support to citizens (Gargiulo, 2017).

To test all the theoretical elements, we consider the first 20 smart cities included in the ICity Rank 2020 Report digital transformation index (Forum PA, 2020), a list that assesses municipalities’ innovativeness. As Massaro, Dumay, and Bagnoli (2019) suggested, this ranking allowed us to select the cities strictly and transparently to be included in our study. Subsequently, we used the municipalities’ websites for data collection, the ‘Transparent Administration’ section and municipalities’ social media web pages. Additionally, as Yin (2017) discussed, we used the press reviews of the cities to increase observation and triangulate sources correctly.

Therefore, based on the variables extracted from the literature (tables 16.1 and 16.2), two researchers independently carried out the content analysis using ‘0’ if the variable is not present and ‘1’ if present. In the end, the two research outcomes were compared. Only for the variables ‘ease of reading’ and ‘ease of access’ was a comparison between the research team required, which then standardised the final coding decision (Massaro, Dumay and Guthrie, 2016; Secinaro et al., 2021c).

RESULTS

This section aims to present the research results with a breakdown between variables related to the literature on ‘internet reporting’ and ‘digital governance’, exploring the RQ: how do internet reporting and digital governance make theoretical connections, and how do they emerge in the public sphere?

Internet Reporting

Analysing the reporting on the municipal websites yielded some interesting results (Table 16.3).

The variable ‘Transparency’ is active in all municipalities. Its presence is not surprising, as the central government requires local governments to have the same level of transparency, as reported in a 2013 law (Canaparo, 2013). This creates uniformity among all the information and data on websites. Therefore, rather than investigating the presence of transparency, we will focus on how it is respected.

The variable ‘Interactive reports’ is less common among municipalities. Most cities report lists of documents in PDF format (Cohen and Karatzimas, 2021). Therefore, only a few websites provide proactive information. This is the case for the city of Bologna, which alongside the traditional PDF list of budgets, final balance sheets, and consolidated balance sheets provides a summary of budget data for 2021 simply and highlights relevant management data (Comune di Bologna, 2021). Bergamo, Turin, Palermo, and Pavia offer web pages with partially interactive economic and financial reports. Finally, the case of the city of Venice is interesting, as it provides stakeholders with navigable and interactive information on its balance sheet, income statement, and financial statements. Moreover, this information is complemented by calculating the city’s solvency indicators with historical data trends (Figure 16.1) (Città di Venezia, 2021). Finally, the city also offers additional information related to environmental reporting.

Afterwards, we checked the variable ‘Readability’. As previously defined, the multiple case study presents a research challenge in investigating how information is reported. While the information is not problematic, it is not always easy to understand (Cohen and Karatzimas, 2021; Cohen et al., 2017). Few cities play the role of citizens and try to translate economic and financial information into simple language. This is the case in Bologna, Bergamo, Venice, Pavia, Brescia, Lecce, Prato, and Bari, which provide specific reading guides and official documents.

For the variable ‘Accessibility’, we considered the number of clicks and the ease of identifying financial and non-financial information on municipal websites (Cohen and Karatzimas, 2021; Cohen et al., 2017). The results suggest uniformity in most cases. Finding



Source: Città di Venezia, 2021.

Figure 16.1 *Interactive financial statements – Venice*

the ‘Transparent Administration’ section in Rome, Turin, Cagliari, and Parma was more complicated. In all other cases, the section was located at the end of the website and, therefore, easily identifiable.

As suggested by Grossi et al. (2021) and Brescia (2020), to be dialogical administrations could include new documents in addition to those required by administrative laws. They could identify quickly and straightforwardly relevant information about the cities, such as the composition of the citizen’s government, the social services provided, and the investments and initiatives in different subjects such as transport, culture, and sport, to name just a few. Our analysis suggests the presence of such documentation for the city of Turin (Figure 16.2), the city of Pavia, and Bari (Figure 16.3), which offers a guided reading of multiple pieces of information with dedicated reports. Finally, these documents are designed to meet citizens’ needs. Therefore, we observe reporting that changes its approach according to knowledge needs.

Finally, internet reporting is also evolving toward social networks. The results show that all municipalities use Facebook to share ordinary and emergency news for citizens who use the services provided.



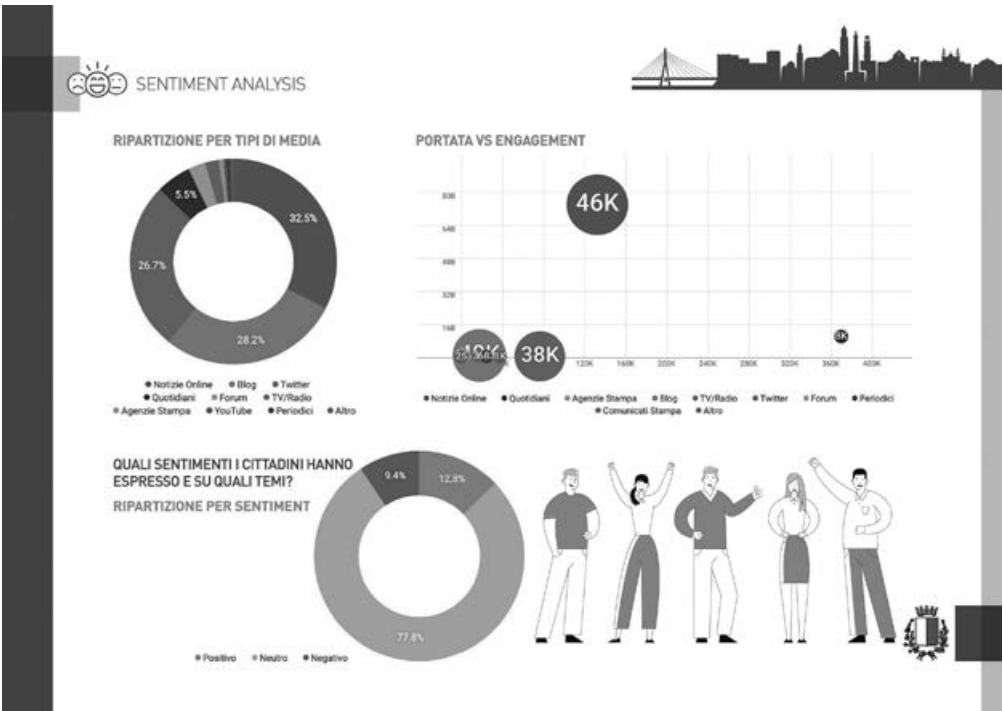
Source: Città di Torino, 2021.

Figure 16.2 Integrated popular financial reporting – Turin

Digital Governance

The investigation of digital governance has also included variables widely applied by all cities because they are required by law and others from which interesting research reflections can be derived (Table 16.4).

In the case of the variable ‘Corruption prevention policies’, all municipalities adhere to and provide documentation to stakeholders on a three-year anti-corruption programme, updated regularly. The analysis of platforms for sharing information between cities and citizens, beyond the typically static website and Facebook pages, appears more challenging. This is the case in Bologna, Milan, Rome, Bergamo, Palermo, and Prato. Among these, the case of Bergamo is interesting: it has set up a platform for managing and sharing knowledge about the territorial government plan and the building choices of the future. The platform proposes specific focuses on sustainability, culture, new infrastructures, and new public services, providing immediate documentation and videos aimed at citizens. In this case, we see how web



Source: Comune di Bari, 2020.

Figure 16.3 Integrated popular financial reporting – Bari

spaces can be used both for the exchange of knowledge between stakeholders and to stimulate the active participation of citizens:

Bergamo is beginning to draw up its new territorial government plan by identifying three strategic planning lines: Bergamo Attrativa, Bergamo Sostenibile, Bergamo Inclusiva. The plan process comprises various phases of planning and discussion involving various local stakeholders. To design the Bergamo of tomorrow, the municipal territorial plan envisages the active participation of citizens, who are called upon to contribute ideas and proposals for the future of their city through public meetings and events. (Città di Bergamo, 2021; translation by the authors)

Bologna also proposes a civic collaboration space providing citizens with information and workshops. Finally, in Prato, we observe as a new project sharing aimed at exchanging knowledge with citizens on digitisation and the future city. Figure 16.4 provides a visual summary of the platforms of the three case studies analysed here.

Linked to the previous variable is ‘Voting platforms’. Except for Bergamo, the cities mentioned above (Bologna, Milan, Rome, Palermo, and Prato) have linked information-sharing projects to online or in-person voting. This is the case in Bologna, whose 2020 participatory budget has provided for online voting and co-design to allocate specific resources to the needs of citizens (Città di Bologna, 2021). Florence allowed citizens to measure their digital skills

Table 16.3 Internet reporting – content analysis results

Cities	Transparency	Interactive reports	Readability	Accessibility	Integrated popular financial reporting	Social networks
Firenze	1	0	0	1	0	1
Bologna	1	1	1	1	0	1
Milano	1	0	0	1	0	1
Roma	1	0	0	0	0	1
Modena	1	0	0	1	0	1
Bergamo	1	1	1	1	0	1
Torino	1	1	0	0	1	1
Trento	1	0	0	1	0	1
Cagliari	1	0	0	0	0	1
Venezia	1	1	1	1	0	1
Parma	1	0	0	0	0	1
Reggio Emilia	1	0	0	1	0	1
Palermo	1	1	0	1	0	1
Pavia	1	1	1	1	1	1
Brescia	1	0	1	1	0	1
Genova	1	0	0	1	0	1
Lecce	1	0	1	1	0	1
Cremona	1	0	0	1	0	1
Prato	1	0	1	1	0	1
Bari	1	0	1	1	1	1

Source: Authors' elaboration.

by providing in-depth materials (Città di Firenze, 2021). Finally, the city of Rome proposed targeted votes on urban enhancement projects (Roma Capitale, 2021).

Finally, for the investigation of the variable 'Open data governance', we considered the presence of open access data and governance policies and partnerships with other stakeholders. The results suggest that about half of the sample has no open data and governance policies. It is different for Florence, Bologna, Milan, Venice, Palermo, Genoa, Lecce, Cremona, Prato, and Bari, which pursue transparency policies and provide citizens with web spaces to consult a plurality of data in an aggregated way and researchers with free research opportunities. For example, for the city of Florence, open data is a pillar of the strategic vision shared with multiple stakeholders:

Firenze Digitale is a plan shared by public administrations and utilities with the main objective, developed through various actions, to promote a mature digital culture to make citizens, businesses, institutions and public companies protagonists and actors of innovation in the territory and improvement of daily life with quality services, simplification, transparency. The plan, created in 2015, is led by the Municipality of Florence and has been subscribed to, in addition to the city administration, by the Tuscany Region, the Chamber of Commerce of Florence, and Confservizi CISPEL Toscana. (Città di Firenze, 2021; translation by the authors)

In addition to the cities mentioned above, others also have 'open data'. However, it was not possible to consider them for the study as they did not include up-to-date data but stopped in 2013 and 2014.



Source: Città di Bergamo, 2021; Città di Bologna, 2021; Città di Prato, 2021.

Figure 16.4 Sharing platforms – Prato (bottom left), Bologna (bottom right) and Bergamo (top)

Table 16.4 Digital governance – content analysis results

Cities	Web corruption policies	KM – sharing information platforms	KM – voting platforms	Open data governance
Firenze	1	1	1	1
Bologna	1	1	1	1
Milano	1	1	0	1
Roma	1	1	1	0
Modena	1	0	0	0
Bergamo	1	1	0	0
Torino	1	0	0	0
Trento	1	0	0	0
Cagliari	1	0	0	0
Venezia	1	0	0	1
Parma	1	0	0	0
Reggio Emilia	1	0	0	0
Palermo	1	1	0	1
Pavia	1	0	0	0
Brescia	1	0	0	0
Genova	1	0	0	1
Lecce	1	0	0	1
Cremona	1	0	0	1
Prato	1	1	1	1
Bari	1	0	0	1

Source: Authors’ elaboration.

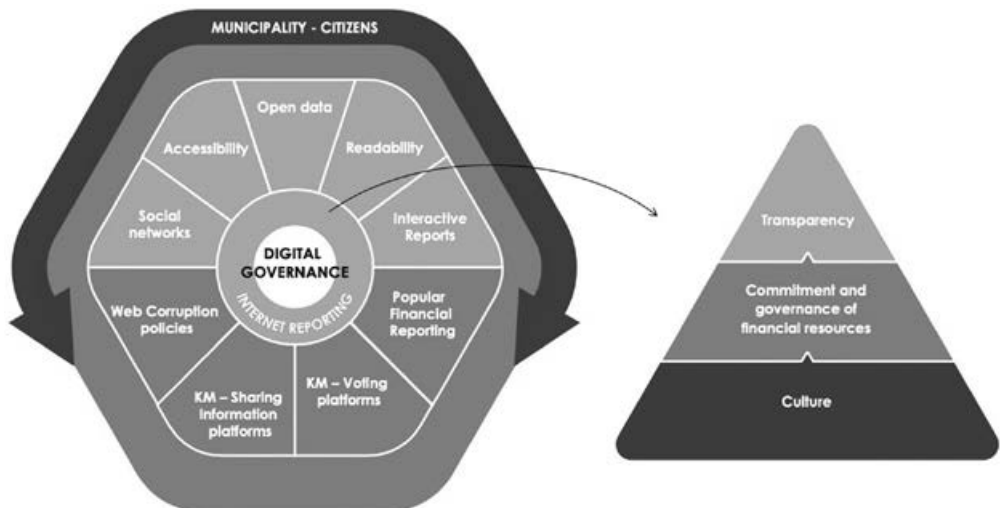
DISCUSSION

The analysis and qualitative comparison of the websites and social pages of the 20 Italian cities allows us to arrive at some new insights and implications that we will try to summarise in the following subsections.

Digital Governance and Internet Reporting: Theory into Practice

If the first premises of the research made us think of two distinct strands of literature, the empirical observation of the 20 practical cases suggests variables and tools with connections. Indeed, digital governance represents the theoretical lens of how public stakeholders manage cities' present and digital evolution. The analysis reveals that despite mandatory transparency laws, each municipality operates autonomously by introducing new simplified reporting tools or digital voting platforms. Therefore, as indicated by Erkut (2020), technology enables new ways of interaction between public administrations and citizens that need to be integrated into public governance processes.

Next, implementation tools such as internet reporting allow the standardisation of procedures and multiple displays of content. The example we can discuss concerns the 'Open data' variable. As noted, aggregating multiple data sources is a clear choice depending on the culture and vision of the public administration. This requires commitment and partnerships between multiple entities and public resources to increase transparency toward citizens (Erkut, 2020; Jain and Ramani, 2005). It is now possible to implement internet reporting from governance, which uses digital tools to make fast, accurate and standardised data sources that would otherwise be difficult to access (Xiang and Birt, 2021). Figure 16.5 is intended to help the reader interpret the theoretical positioning of the selected variables in a new empirical light.



Source: Authors' elaboration.

Figure 16.5 Digital governance framework for municipalities

Digital Governance and Co-Design Opportunities for Municipalities

Some of the case studies presented show the willingness of public administrations to initiate structured design paths. For example, the city of Bologna has integrated reporting and design paths for the care of public goods through the internet. In this case, allowing citizens to vote and decide where to allocate part of the city budget requires an overall design that can unite public entities and citizens. This is also found in the literature.

Brescia (2020) discovered that a holistic view is needed to meet the new knowledge needs of citizens. Furthermore, as indicated by Light and Seravalli (2019), including citizens in the conception of problems and processes creates shared commitments, allowing municipalities to improve their understanding of what is expected in terms of public services (Jacobs, Rivett and Chemisto, 2018; Karrasch et al., 2017). According to Micheli et al. (2019), design thinking represents innovation and a problem-solving approach that integrates knowledge and skills to manage evolutionary managerial problems. Previous studies show that design can also be used in the public sector to put the needs of citizens at the centre (Schliwa, 2019). Therefore, considering the potential of technology, the new digital governance may include design processes and applications that will allow municipalities to be connected to the real needs of citizens.

CONCLUSIONS

ICT provide new processes for reporting and managing public bodies (Sun and Medaglia, 2019). The internet amplifies the tools available for sharing information with citizens (Laswad et al., 2005). Despite countless theoretical opportunities, such processes must be investigated in practice, and space constantly updates digital policies. As defined by Williamson (2015), the risk is that citizens feel even more distant from the processes (cf. Chapter 4 in this volume). Therefore, while much of the literature amplifies the positive potential of technology, a small part questions how tools such as the internet can boost and change the digital governance of municipalities (Bannister and Connolly, 2012; Williamson, 2014, 2015). Our research sought to investigate two distinct strands. The first is related to internet reporting. The second is associated with digital governance. While the literature has focused differently on variables by validating them with quantitative methodologies, impacts on policy action, or comparative studies on countries with medium/high levels of digitisation, there is no holistic framework outlining the enabling and connecting factors between these two areas, and considering the benefits of digitisation it also means understanding them and how municipalities use new tools. Therefore, besides being intended for researchers, our study is designed for cities and public managers to provide a framework that includes variables that can be improved from citizens' perspectives.

Our study took the first steps by testing on 20 Italian municipalities ten variables: transparency, presence of interactive reports, ease of reading, accessibility of information, presence of integrated popular financial reporting, use of social networks, presence of corruption policies, presence of information sharing and voting platforms, and open data policy. The results suggest different applications and practical experiences among municipalities. Indeed, the observation of the case studies allowed us to discover in all cities standardised applications of anti-corruption policies and dissemination of public information via social networks. Moreover, thanks to the internet, our results suggest the presence of interactive budget reports,

new documents that are easy for citizens to read, and experiences of co-designing public benefit projects. Finally, we find that digital tools need strategic partnerships and agreements in public administration to simplify and update information at the governance level. We are confident in the progress technology is also bringing to the public sector, and hope that this contribution will serve as a decision-making guide and set of good practices for mayors and public managers.

The results have interesting theoretical implications. First, benefiting from the experience of a defined strand of research such as digital governance, we have combined variables and enablers of internet reporting. This allows us to insert ourselves into a broader theoretical discussion validated by international researchers by providing multiple case studies of Italy. Second, we offer a new theoretical lens confirming and reinterpreting internet reporting and digital governance variables by providing a unified theoretical framework joining transparency and public dialogic capacity. Third, we demonstrate the presence of reliable reporting going forward to general law that is able to adapt to citizens' needs (Grossi et al., 2021).

Our results also have interesting practical implications. First, the research suggests best practices and issues in internet reporting that mayors and public managers can consider for better governance of their cities. In this way, the case studies can be regarded as operational reference points for updating measures. Second, noting the theoretical disconnect between internet reporting and digital governance, we provide a unified framework that allows us to isolate the risks of alienating citizens from public bodies.

Like any research, our contribution has some limitations. First, this study considers a limited number of case studies within a single country, Italy. However, it is particularly interesting as it is highly bureaucratic. In this case, it would be even more interesting to evaluate the experiences of multiple municipalities in different geographical areas. Future studies can identify the effect of characterising elements and technologies on the governance process (Secinaro et al., 2022) and its effect on governance (Grossi and Argento, 2022). Second, the desire to investigate the variables of internet reporting and digital governance may have made us lose focus on different research methodologies. Therefore, future research could investigate the quantitatively selected variables to look for possible correlations. This would diversify the method and obtain more results by validating our findings.

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17. Conclusions – accounting and hybridised public governance

Jarmo Vakkuri and Giuseppe Grossi

This book has undertaken a mission to delve into complex relationships between accounting and the development of hybridised public governance. The aim has been to connect three elements – accounting, public governance and hybridisation – by asking: how can we understand the role and impacts of accounting in reflecting on and contributing to meeting the current and prospective needs of hybridised public governance? To what extent are accounting theories, systems and practices good enough and fit for purpose to be applied to address complex, multilateral and multi-actor problems of public governance? We have used three important reform trajectories in public sector development – network governance, collaborative governance and digital governance – to discuss those inter-organisational and inter-sectoral arrangements, calculative practices, accountability, budgeting, performance measurement and reporting systems that operate and are enacted in the interface between public, private and civil society activities (Skelcher and Smith, 2015). The book demonstrates that those hybrid settings impose special requirements for accounting to understand how conflicting goals or multiple values can be conceptualised and quantified and how, in those settings, multiple values are mixed, what types of value compromises are enacted and how the legitimising pressures for hybrids may contribute to distinct, unique strategies for action (Battilana et al., 2022; Grossi, Vakkuri and Sargiacomo, 2022; Pache and Santos, 2013; Vakkuri and Johanson, 2020).

As the contextualisation and overview of those three public governance forms were addressed in the introduction of the book (cf. Chapter 1), let us next focus on how they can be further conceptualised to explore the hybridity perspective in public governance.

TWO FACETS OF HYBRIDISED PUBLIC GOVERNANCE

Theories of public governance cannot provide us with unambiguous models of how the hybridity of society ought to be governed and, respectively, of what the roles and value-creation mechanisms of different actors, be they government agencies, business companies or nonprofit organisations, should be. Rather, extant research provides several interpretations of how the impacts of hybridity on the governance of important societal activities could be imagined (Vakkuri et al., 2021a). Let us discuss two of those interpretations.

First, it is possible to consider hybridity as emblematic of the increased societal complexity. Then, we assume that the more complex the boundary-spanning problems of governance (between public, private and civil society actors), the more hybridity that implies. In this setting, hybridity is interpreted as close to ‘complexity’, ‘multi-laterality’, ‘multi-actorship’ and ‘wickedness’ (Head and Alford, 2015; Peters et al., 2022; Weaver, 1948). This argument has been widely adopted in the public sector reform research of recent decades, in which ‘old’ public administration is assumed to have been gradually replaced or supplemented by ‘New

Public Management' (NPM) and 'New Public Governance' (NPG) (Hood and Dixon, 2015). Furthermore, the same assumptions have held widely in the governance-related accounting research (for a review, see Grossi and Argento, 2022). Public governance reforms of recent decades have promoted the economisation and value of public sector activities, by adopting strategies of amalgamating business practices into government operations while being aware of the possible dysfunctional impacts on citizens and communities. With privatisation, outsourcing, commissioning and public-private partnerships (PPP), two broad processes of hybridisation have emerged: including business interests in government operations and including government interests in the operation of private business. It is fair to contend that we experience more hybridity than before through the extension of the 'public' into the 'private' and the 'private' into the 'public'.

Perhaps all this was not intended in the first place. The initial policy imperative was to economise public sector activities by transforming public agencies into private firms. This was based on a common and somewhat unwarranted narrative that governments started to apply efficiency principles only after NPM-related reforms and the transformation of public organisations into business firms. With the historical scrutiny that efficiency has been one of the cornerstones and basic virtues of classic public administration (Simon and Barnard, 1947), it is important to acknowledge that there was 'efficiency' before NPM reforms, but of a different type (Maesschalck, 2004; Van der Wal, Graaf and Lasthuizen, 2008). Nevertheless, the ultimate outcome that is interesting for our book is that we have not experienced a whole-of-government transformation of public agencies into businesses. Rather, new forms of organisational arrangements have been instigated, for instance in education, social and health care, infrastructure and culture, where mixed hybrid organisations share 'a little bit of everything': features of business management and control practices enmeshed with traditional public agency values, normative design and bureaucratic rule systems (De Waele et al., 2021). As a consequence, we are now more ready to observe different forms and variants of hybridity 'by default', indicating that hybridised public governance has emerged due to the compromises between the contextual policy intelligence and swift business strategising of public duties (Johanson and Vakkuri, 2017).

According to the second argument and facet of hybridity, we may actually be dealing with a much more fundamental theoretical and timeless issue of public governance. This can be illustrated by asking how to comprehend hybridity as an intrinsic feature of governance by relating it to both forms of governance ('hybrid governance') and to objects of governance ('governance of hybridity'), and by connecting such an inquiry with the analysis of different contexts of organisations, policies and institutional fields (Howlett, 2019; Trondal et al., 2022; Vakkuri and Johanson, 2020). In this thinking, the role of hybridity in theorising public governance is not merely about constituting the politico-administrative framework for social enterprises (SE), municipal corporations or PPP, for example. Rather, and more importantly, hybridity may be used as an explanatory framework for theorising institutional actors and actions, for instance in defining goal ambiguity or accounting for social trade-offs in dual-purpose hybrid organisations (Battilana et al., 2022). Here, the focus may be on the extent to which and how organisations, policies or other institutional constellations are hybrid constructs and what features of hybridity they may entail. Moreover, studies may concentrate on understanding the implications of distinct hybrid logics and value-creation mechanisms for the ways hybrid entities are measured and controlled. With this argument, hybridity is not a consequence of political actions, business dealings or community development but some-

thing that resides in our ontological and epistemological assumptions and our perceptions of social reality. Hybridity is not the impact or consequence of ‘public governance’. It is an inherent element that constitutes one important design parameter. From one perspective, hybridity makes public governance what it is: hybridised public governance.

The presumption that the world of governance can be neatly compartmentalised into two primary objects of governance, private and public, is highly appealing but has also carried an illusion of governability or governmentality (Miller and Rose, 2008; Peters et al., 2022). With that, the pendulum shifts of governance from ‘hierarchical’ to other less ‘command and control’ forms of governance appear somewhat deterministic. It is no wonder such a distinction has been historically associated with and adopted for regulatory systems (public and private law), systems of national book-keeping, accounting and economics (entities of private and public economies) and the political systems of market economies (Johanson and Vakkuri, 2017). This has been sensible in many respects.

However, there are also observable caveats in that thinking. In such a setting, both policy-makers and researchers are motivated to see monstrous hybridity, in which mixing ‘public’ and ‘private’, by default, creates contaminated institutions, a moral abyss and dysfunctional organisational modes, which simultaneously compromise the neutrality of government and distort the efficiency of business operations (Jacobs, 1992; Ménard, 2004). We may assign blame to innovative hybrid forms of governance without any detailed evidence. On the other hand, the black-and-white assumption on hybridity may make policymakers and researchers blind to the acknowledgment of critical voices and to the ‘dark side’ of hybridity (Baert, 1991; Johanson and Vakkuri, 2017). Among others, these may include forms of misuse and manipulation of powers, not for the common good but for local gains, or the greenwashing of large-scale megaprojects by constructing the hybridity image to hide straightforward business preferences (cf. Mahoney and Thelen, 2009). While clear-cut distinctions between public and private may have been conducive to less ‘complexity’, more ‘pragmatic’ forms of governance and administrative rationalism, the clarity they have thus created can be deceptive.

As this book demonstrates, an elaborate discussion exists on different forms and variants of governance – to name just a few: collaborative governance, emphasising non-hierarchical collective mechanisms in contributing to public policymaking processes (Abbott et al., 2015; Ansell and Gash, 2007); multi-level governance, referring to the coordination problems among policy actors, agencies and constituencies at different institutional levels of governments and societies (Piattoni, 2009); or digital governance, discussing the uses and misuses of digitalisation, artificial intelligence (AI) and algorithms in both economising public sector activities and reformulating the institutional pre-conditions of public and private action and actors in knowledge-based societies (Dunleavy et al., 2006; Gritsenko and Wood, 2020; Peters et al., 2022; Skelcher and Smith, 2015). In this book, hybridised public governance has adopted three general manifestations: governance through networks, governance through collaboration and governance through digitalisation. Let us connect these with the hybridity perspective.

ACCOUNTING OF NODES, DYADS AND TRIADS: NETWORK GOVERNANCE THROUGH THE HYBRIDITY LENS

The emergence of network governance in public policies echoes the paradigm shift from agencies to networks or, in the words of Simmel (1950), from nodes to dyads – and even more

importantly to triads – as forms of social interaction. The shift is significantly shaped by the seemingly increasing complexity of public governance problems, on the one hand, and the complexity of the problem-solving systems of governments, on the other. Greater emphasis is placed upon the edges and ties connecting the nodes for a common purpose, good or value (Johanson and Vakkuri, in this volume). It is probably the case that complex policy problems have never followed the clear-cut definitions of agency-driven mandates, based on which accountabilities could be easily manifested. Public governance takes place amid organised complexity and hybridity, incorporating multiple actors with different sets of edges and interactions, value-creation mechanisms and institutional logics (Grossi and Argento, 2022; Kooiman, 2003; Vakkuri et al., 2021a; Weaver, 1948). It is understandable that governments have put more faith in inter-organisational and inter-sectoral arrangements, networks that may potentially make use of pooled resources, complementarities, distributed accountabilities and more coordinated mutual forums of learning. Thus, network constellations have an opportunity to contribute to the attainment of meso-level outcomes that could not be achieved by independent action, individual organisations and participants (Provan and Kenis, 2008).

In light of social network theory, contemporary network governance thinking can be seen to represent the relationalist perspective. This starts from the assumption that networks are reflections of ‘meaning’ and ‘content’. As opposed to the formalist position, according to which social networks are intrinsically about ‘form’ that exists despite our *a priori* perceptions, current network governance thinking is associated with what is happening and what is given meaning in these socially embedded, culturally framed interactions (Erikson, 2013). Perhaps this analytical plurality of how networks may be understood explains the plethora of perspectives in using networks for understanding the evolving public governance.

However, this may also signify the need for a more intelligible balance between the relationalist and formalist positions. Searching for such a balance could benefit from the hybridity lens, where network governance is significantly influenced and conditioned by the meanings emerging in relational networks but distilled more comprehensively through the objectives, interests and compositions of the actors in networks (see Johanson and Vakkuri, in this volume). Network governance may adopt several forms, for instance inter-organisational arrangements within government (Provan and Milward, 2001) but also constellations transcending public–private–civil society boundaries, where ‘an increasing number of networks of nongovernmental organisations, quangos, non-profit organisations, public and private partnerships and other hybrid organisational forms have materialized’ (Grossi and Argento, 2022, p. 275). We can look at the activities of the actors within the network, by emphasising three lines of inquiry: (1) how to deal with the levels of society in researching network hybridity, (2) how to deal with network interaction in the creation of hybridity and (3) how the government, the economy and civil society facilitate networks that are hybrid in nature (Johanson and Vakkuri, in this volume).

Prior accounting research has been at its best in scrutinising nodes (as entities, organisations, individuals) and dyads (as transactional relationships), but far less so in the case of triads. Hopwood made a logical point on this almost three decades ago (Hopwood, 1996). Understanding accounting in the context of hybridised public governance models essentially relies on the primacy of organisational reasoning, in which the success of a public governance model may be discerned by summing ‘local’ rationalities (i.e., those of individual entities and agencies) within a larger whole. This reflects a sequential, linear process of valuing complicated societal activities. Accordingly, performance measurement focuses on the rationality

of mechanisms, through which ‘organisational’ goods transform into ‘public’ or ‘common’ goods (Vakkuri and Johanson, 2020). Such an assumption is inapt for addressing a plethora of action (and actor) reciprocity and the hybridity within such reciprocity, which is the case of network models of governance.

ACCOUNTING FOR HYBRID SOCIAL VALUE: COLLABORATIVE GOVERNANCE THROUGH THE HYBRIDITY LENS

The development of public administration literature has been significantly influenced by another scheme of public governance emphasising collaboration, collaborative arrangement and the co-production of goals and strategies with complementary resources from the public, private and civil society sectors (Ansell and Gash, 2007, 2018). While different governance paradigms are often rather fluid, complementary, co-existent and competing with each other, there has been debate on collaborative governance turning from a last resort to a mainstream tool of governance (Peters et al., 2022). In such a setting, governance through collaboration is seen as an alternative to hierarchical and market modes of governance, stressing the involvement of humans as citizens (instead of consumers or customers) and the interaction of people and communities as dialogues, participation and inclusiveness (instead of command and control) (Grossi and Argento, 2022). The mission is to contribute to joint action and common institutional arrangements, while simultaneously preserving the autonomy of collaborators.

Let us think of the hybridity lens for contemplating collaborative modes of governance. As this book demonstrates, through the hybridity lens, the institutional origins of collaboration as a process and collaborators as actors may transcend sectoral boundaries, different institutional logics and cultural meanings across government agencies, business firms and civic action. From the viewpoint of accounting, collaborative forms of governance are not detached from value constellations. On the contrary, they often struggle with multiple values (Aleksandrov, in this volume). Traditionally, market, public and social forms of value have been considered distinctive firewalls that separate sectors and agencies from each other with the assumption that market value is created by firms, public value by the government, and social value by civic organisations (Thacher and Rein, 2004). Although this type of distinction may be an important strategy to cope with potential value conflicts inherent in any collaborative governance effort, it also may hinder the understanding of how public governance could best respond to complex, nested and multifaceted policy problems (Bryson, Crosby and Bloomberg, 2014).

Therefore, collaborative arrangements employ complementary resources and institutional logics from different sectors, to contribute to multiple distinct value constellations with divergent impacts (Aleksandrov, in this volume; see also Abbott et al., 2015; Battilana and Lee, 2014; Pache and Santos, 2013). From this perspective, collaborative governance needs to accommodate the multiple values of public organisations (human and public values), for-profit organisations (such as financial, commercial viability, efficiency, innovation and growth) and nonprofit organisations (such as community, ethical, moral, political and religious values) (Grossi et al., 2022). Government has a unique role as a guarantor of public values, but citizens and businesses, and hybrid and nonprofit organisations, are also crucial, as active solvers of public policy problems (Bryson et al., 2014).

ACCOUNTING FOR HUMAN AND NON-HUMAN AGENCY: DIGITAL GOVERNANCE THROUGH THE HYBRIDITY LENS

One long-standing, almost timeless imperative for the public sector development and reform policies has been to make ends meet better, to economise on public service delivery. This has traditionally incentivised public administration to search for more efficient and efficacious ways to organise its activities. During recent decades, especially after the invention of the World Wide Web, the public sector has been confronted with particular expectations for performance improvements through digitalisation, AI and algorithmic governance (Dunleavy et al., 2006; Gritsenko and Wood, 2020). Digital technologies and solutions are increasingly expected to transform the extent to which the human labour input of governments could be replaced by algorithms and automated decision-making (Zarsky, 2016). An important technological opportunity has emerged, which has facilitated rich and multifaceted scrutiny of governance through distinct forms of digitalisation (Peters et al., 2022). This discussion has addressed not only the potential benefits and promises but also the distinct adverse effects, dysfunctional social impacts and possible risks of autonomy and centralised digital surveillance (Ahonen and Erkkilä, 2020; Kitchin, 2017).

The hybridity lens provides two important mindsets for thinking about the promise of digital governance. First, the algorithms used for running digitalised public services are mostly based on proprietary algorithms, actually created by private firms. This introduces several questions and critical remarks on accountability. Decision-making rules for public policy systems may be economised on by using algorithms, possibly leading to the improved efficiency of the decision-making process but also to new forms of opaqueness and less transparency (Zarsky, 2016). Thus, digitalisation and governance through algorithms may contribute to new forms of public–private forms of institutional hybridity. Second, digitalised governance is complicated not only in terms of institutional hybridity but in that it entails hybridity with respect to the changing interactions and interfaces between human and non-human agency (Erkkilä, in this volume). Using Michel Callon's notion of hybrid communities in socio-technical environments, it is possible to see the role of digitalisation and technological artefacts as not merely producing 'impacts' or 'effects' on the social processes and behaviours. Moreover, technologies join the process of making the social processes what they are (Callon, 2004).

It is possible to see several complexities, leading to questions such as how to define accountabilities, budgeting, performance measurement and reporting systems in designing algorithms for economising on public service delivery. Furthermore, algorithmic governance introduces new and unexperienced problems of accountability: who is accountable, to whom, for what and how? The responsibility of a public decision-maker is already difficult to verify with simple rule-based automation: who is then actually in charge of the decision? However, regulation becomes even more complex when using machine-learning systems that might even alter their own functionality during the course of the decision-making process (Crawford, 2016; Kitchin, 2017). It is apparent that algorithmic governance highlights the need to consider the emerging hybrid forms of human and non-human agency (Erkkilä, in this volume). In a more general fashion, it becomes ever more important to analyse digital governance as a means to an end, not as an end itself (Meijer and Rodríguez Bolívar, 2016).

ACCOUNTING IN HYBRIDISED PUBLIC GOVERNANCE: SYNTHESIS OF THE BOOK CHAPTERS

Table 17.1 summarises the book chapters according to the four accounting themes adopted for our discussion: accountability, budgeting, performance measurement and reporting, and to the three evolving modes of governance for which accounting has been scrutinised.

ACCOUNTABILITY AND HYBRIDISED PUBLIC GOVERNANCE

Network Accountability (Rajala et al.)

The traditional separation of account holders from account givers has significantly influenced the contemporary thinking on how accountability can be conceptualised. Moreover, due to its importance in shaping the institutional systems and practices of current societies, public administration systems and business corporations, accountability has been conceived as a multidimensional and fragmented concept including different variants of accountability (Mulgan, 2006). For instance, accountability can be a political, market or professional type of control mechanism in society (Bovens, 2007; Schillemans, 2011). Both the questions – who is accountable to whom, and for what is one accountable – have remained rhetorically persuasive in the extant research tradition, but also somewhat complicated to apply in the evolving context of hybridised public governance. The structure and processes among account holders and givers have become more ambiguous and diluted (Koppell, 2005; Messner, 2009).

The book suggests that we are experiencing the transformation from traditional forms of accountabilities to hybrid accountabilities. What does that mean? As Rajala et al. (in this volume) argue, hybridity and accountability can be linked to each other in two ways. First, we can think of hybridity within distinct accountability modes. For instance, professional accountability includes unique forms of hybridity distinguishable from those of, say, political or judicial accountability. What we mean by professional accountability is largely influenced and inspired by the complex and fluid boundaries of occupational positions and the respective conceptual and professional norms dictating how to define a valuable professional practice (Noordegraaf, 2007). Second, we can explore the impacts of hybridity arising from the combinations of different accountability modes where, for instance, we observe novel mixtures of political and market accountabilities (Rajala et al., in this volume).

Rajala et al. scrutinise these hybrid forms of accountabilities in the context of horizontal network governance of an accountable care organisation, in which accountability modes evolve to support the realisation of joint objectives among public, private and community actors. For this purpose, manifestations of hybrid accountabilities are required. These include, for instance, goal-setting and measurement system design, introducing performance criteria to the achievement of the network's goals. Measurement of the network partners' joint performance results in reports to serve the interests of public, private and voluntary sector stakeholders.

Table 17.1 *Accounting in the context of hybridised public governance*

	Governance through networks	Governance through collaboration	Governance through digitalisation
Hybridised public governance	Johanson and Vakkuri Accounting and network governance: accounting through nodes, dyads and triads Hybridity in the context of organisations:(a) hybrid organisations, (b) hybridity across organisations, (c) hybrid network industry Hybridity in the context of societies: (a) hybridity <i>within</i> parts of society, (b) hybridity <i>between</i> parts of society, (c) hybrid network society	Aleksandrov Accounting is changing, with increasing governance complexity and hybridisation, but is not fit for purpose. Accounting change produces possibilities and limitations for tackling social aspects of governance Many accounting tools are unable to fulfil their promise as deliberative tools for collaborative forms of governance. Need to develop theorisation on pluralism and related dialogic accounting developments, as well as the agenda of public accounting through multiple values	Erkkila Hybridity in the context of digitalised numerical governance: (1) opening and reuse of digital public data; (2) algorithmic governance, implying human and non-human agency; (3) production and use of policy indicators Questions of accountability (who is accountable, to whom, for what and how) revisited through algorithmic governance Accounting and accountability in hybridity contexts: institutional hybridity and hybridity through human and non-human agency
Accountability	Horizontal accountability (Rajala et al.) Transformation to hybrid accountability in horizontal network governance Hybridity within single modes of accountability Hybridity within combinations of different accountability modes Manifestations of hybrid accountability, for instance goal-setting and measurement system design	Social accountability (Vakulenko, Bourmistrov and Iermolenko) Formal and informal; vertical and horizontal accountabilities in the setting of collaborative social partnerships (SPs) Special artefacts needed for making accountability visible, for instance 'theory of change' (ToC). Artefacts often unclearly articulated, which relates to social aspects of public governance Accountability conflicts influenced by the parallel pressures to balance formal accountabilities and engagement of citizens	Interactive accountability (Welinder) Multilateral, interactive and hybridised accountability relationships in digital governance Accountability through 'promissory economy', commitment-based accountabilities With fewer sanctions and strict controls digital platforms 'are' accountable but also 'become' accountable

	Governance through networks	Governance through collaboration	Governance through digitalisation
Budgeting	Comprehensive performance-based budgeting (Budding and Van Schie) Government budgeting shaped and influenced by hybridised public governance Performance measurement for budgeting in the hybrid settings subject to the pressures of multiple audiences Hybrids may not wish to be transparent about contested issues While outcome indicators would be relevant in hybrids, process indicators are still valued because municipalities want to have arm's-length control	Participatory budgeting (PB) (Sinervo et al.) Participatory approach has introduced new ways of collaboration into budgeting processes Participatory approach questions traditional power relations of budgeting; makes the prioritisations more inclusive and horizontal Competition between direct and indirect political participation mechanisms in cities and municipalities New types of tensions emerging in budgeting. Citizen engagement juxtaposed with the traditional, hierarchic and professionally organised processes of public budgeting	Digital PB (Mattei, Santolamazza and Manzo) How to link citizen engagement with digitalisation in the budgeting process? Adopting digital tools for the participatory approach in budgeting as a legitimisation strategy through responsiveness Digitalisation not a whole-of-government solution to citizen engagement. Digital tools for engagement should reflect the participatory approach

	Governance through networks	Governance through collaboration	Governance through digitalisation
Performance measurement	Network performance (Johnsen and Waters) School performance as an assemblage of governance networks of agencies and institutions that operate at different societal levels Performance management in schooling through traditional hierarchical 'school owner' governance but also as a context of stakeholder governance The responsibility for network performance may create new forms of value in hybrid settings. We need more insights into how such a hybrid, multi-level governance setting may influence horizontal school performance	Non-financial performance measurement system (PMS) (Andreus, Anarbaeva and Pesci) Mutuality as an approach to hybrid governance. In mutual organisations participatory governance (PG) is executed by blending the roles of customers and owners; democratic principles guard the interests of minorities Complex non-financial performance measurements for the PG More focus should be devoted to the internal facets of hybridity; i.e., how to measure the benefits to members and to the ways in which participation in the governance model can be ensured. <i>Raison d'être</i> of a mutual organisation as a hybrid entity	Digital PMS (Agostino and Riva) Hybridisation of performance measurement in the context of digital governance Combinations of the logic of algorithm-driven user-generated data (UGD) and the more general public sector service logic to render results transparent Algorithms create one image and surrogate of the organisation Multiple images affect the trustworthiness of the PMS and pose questions as to who should select the algorithm itself
Reporting	Whole-of-government accounts and consolidation (Chow and Stewart) Consolidation as a consequence of network governance Competing incentives as an important obstacle for consolidation. Not a ready-made recipe for addressing the problems of network governance Complexity of network and structures as such, but also the complex inter-linkages between networks and the accounting representing the network behaviours. Challenging to be all things to all people	Popular reporting (PR) (Bartocci and Secinaro) PR as an aim of making public sector financial reports more accessible and transparent The primary intention is to enhance cooperation and dialogue with citizens, yet the reporting process is top-down and characterised by the lack of familiarity on the interests of both public managers and citizens Technological instrumentation and traditional forms of communication. Different roles of accounting instruments for enhancing citizen engagement	Internet reporting (Secinaro, Brescia and Calandra) How do public organisations enable new behaviours with internet reporting? New strategic partnerships are needed to ensure the effective use of internet reporting Without sufficient dialogic processes for internet reporting, citizens may feel more distant from the decision-making processes, as opposed to the original promise

Social Accountability (Vakulenko et al.)

Accountability is about the traditional transparency-oriented obligations, with power asymmetries between account holders and account givers. However, it is also about other and probably more sophisticated forms of intelligence that are based on the ontological and epistemological stance according to which actors of the accountability game are always limitedly rational, even to some extent vulnerable in their intentions and realisations of transparency. With such an assumption, more collaborative, dialogic and compassionate forms of accountability become important, emphasising reciprocal interaction, mutual understanding and diversified forms of trust building (O'Regan and King, 2009; Roberts, 2009; Träskman, 2022). Vakulenko et al. discuss this by analysing different directions of accountabilities in the context of SPs. The empirical context of the chapter is related to a social partnership project, funded by the Ministry of Foreign Affairs of Norway, which focuses on the professional retraining and social adaptation of military officers, veterans and their family members. This has been a long-standing collaborative programme between Norway and Ukraine (Vakulenko et al., in this volume).

The chapter identifies formal and informal, as well as vertical and horizontal, dimensions of accountability. Vakulenko et al. summarise four directions of accountabilities in the context of SPs: upwards, downwards, inwards and sideways. These are accompanied by different modes of social interaction and collaboration, design and use of information channels and dissemination, as well as parallel forms of legitimacy-seeking practices. Complex links and conflicts between different directions and dimensions of accountabilities are influenced by the context of the social partnership programme, which includes formal obligations to different government bodies but also highly informal relationships for engaging different groups of people. The chapter argues that special instruments, particular artefacts, are needed to make accountability visible. The authors emphasise the role of ToC as a crucial intervention logic in the programme to make sense of 'what is going on', 'what should be done' and 'how should the outcomes of the programme efforts be evaluated' (Vakkuri, 2010). ToC is often unclearly articulated, which makes the swift management of partnerships pursuing social value more difficult but is actually completely understandable, given the competing, to some extent contrasting, value constellations in accountability.

Interactive accountability (Welinder)

Accountability relationships become multilateral in the setting of digitalised governance and digital platforms. Furthermore, instead of appreciating sector-specific boundaries of the society and economy, these relationships are hybrid in their characteristics and transcend traditional boundaries. Digital governance also facilitates interactive modes of accountability, including fewer sanctions and strict controls (Welinder, in this volume; see also Forrer et al., 2010).

Olga Welinder provides an empirical illustration of the Finnish digital platform, Sitoumus 2050 (in Finnish, *sitoumus* means 'commitment'), which is a public governance tool to encourage and organise interaction between government, business firms, civic organisations and citizens, for the co-production of environmental, social and financial sustainability. Sitoumus 2050 is an interesting illustration of an interactive policy process that unfolds both vertically, bottom-up and top-down, and horizontally, by establishing contacts with organ-

isations which have submitted operational sustainability commitments. The process is less formal in nature and does not assume any system of sanctions or strict control. In contrast, the involvement of actors was enhanced through non-legislative and non-financial incentives, such as annual recognition and an award for making the best commitment, thus making it seen as a prestigious competition and advancing interaction beyond the solely digital format towards hybrid arrangements.

Moreover, Sitoumus 2050 is a manifestation of accountability in the age of ‘promissory economy’, commitment-based accountabilities (Mouritsen and Kreiner, 2016). Aligned with the wordings of relational ontology and sociomateriality, commitment-based accountability on the digital platforms may be less about ‘being’ accountable but more specifically about ‘becoming’ accountable (Träskman 2022). Making promises always sustains hope for the future but, at the same time, gives important leeway to escape transparency and to practise blame-avoidance strategies. However, such commitment-based accountability may be well versed in the era of digitalisation and human and non-human agency (Erkkilä, in this volume).

BUDGETING AND THE HYBRIDISED PUBLIC GOVERNANCE

Comprehensive Performance-Based Budgeting (Budding and Van Schie)

Public budgeting is an instrument to reflect political and ideological values in open, democratic societies. While budgeting serves important functions in pursuing fiscal and financial policy, as well as economic, re-distributive, managerial and accountability goals (Sicilia and Steccolini, 2017; Wildawsky, 1978), it is also a crucial element of creating public trust (Argento, Kaarbøe and Vakkuri, 2020). Inspired by the managerial reforms of governments, linking performance information with budgeting has gained important attention. Performance-based budgeting has been assumed to contribute to improved budget allocations, performance and accountability (Grossi, Mauro and Vakkuri, 2018; Raudla, 2022).

However, there is a lack of research into understanding how the ‘publicness’ of budgeting is shaped and influenced by the contexts and processes of hybridised public governance (Budding and Van Schie, in this volume). Budding and Van Schie examine uses of performance information for budgeting in the interaction between Dutch municipalities and externalised service firms and other collaborators. They conclude that the use of performance indicators in hybrid contexts entails new sets of problems. As hybrid entities often have to legitimise their activities to parallel audiences, and because they are forced to pursue parallel often incongruent goals simultaneously, several kinds of performance indicators may potentially be relevant to budgeting. In empirical practice, the situation becomes quite different. Two issues are important. First, given the large variety of performance metrics in use, hybrids may be incentivised not to be transparent about contested issues (Vakkuri, Johanson and Rajala, 2021b). Second, despite their significant society-wide focus, the use of outcome indicators in hybrids seems to lag behind. Interestingly, information on processes is still highly valued, not only due to the ambiguities of outcome measurements but also because municipalities want to stay in arm’s-length control. The budgeting process provides an excellent forum for organising such control mechanisms.

Participatory Budgeting (PB) (Sinervo et al.)

Collaborative interaction movements are transforming the systems and practices of public budgeting. Accordingly, in accounting, there is an expanding need to more thoroughly assess the impacts of collaborative governance practices on budgeting. While economic parsimony, efficiency and administrative pragmatism have been some of the guiding principles of budgeting, the participatory approach has introduced new ways of collaboration into budgeting processes. In their chapter, Sinervo et al. discuss this by questioning the traditional power relations of budgeting. PB aims to replace budget officials with citizens as executors of budget decisions and asks citizens to become more accountable to themselves. Moreover, aligned with the other facets of hybridised public governance, PB makes the processes of defining the priorities of budget allocations more inclusive and horizontal.

However, it is not easy to institutionalise PB in public sector contexts, as it creates an enmeshed setting of institutional logics between citizens, politicians and public managers, as well as competition between direct and indirect political participation mechanisms in cities and municipalities. As Sinervo et al. argue, new types of tensions and conflicts are thus emerging in three cities: Lahti (Finland), Lublin (Poland) and New York (the United States). Citizen engagement is often juxtaposed with the traditional, hierarchical and professionally organised processes of public budgeting. Therefore, it is also important to ask: to what extent does PB actually concern systems of public sector resource allocation, or does it have more to do with the general discussion on the functions and uses of indirect and deliberative forms of democracy (Ryfe, 2005)? In other words, how much of PB is ‘budgeting’ and how much ‘participation’? The argument has important research and policy implications regarding the need for inter-disciplinary studies of PB systems.

Digital PB (Mattei et al.)

An interesting extension to the discussion on public budgeting is related to the question of how to link citizen engagement with new forms and instruments of digitalisation in the context of budgeting processes. Mattei et al.’s chapter argues that, in practice, citizen engagement and digitalised governance often seem to coalesce, but little research literature exists on this. Based on their informative empirical comparisons of the cities of Rome and Barcelona, it becomes apparent that digital platforms provide an important potential instrument to emphasise wider citizen engagement. Linking digital tools with a participatory approach seems to become an extremely popular strategy to maintain and improve public sector legitimacy through responsiveness.

Integrating digital tools with PB seems helpful and very appealing to the contemporary public sector. The tools can be utilised to reach a wider audience, facilitate deeper engagement and foster improved accountability. In empirical practice, the picture is much more nuanced and multidimensional. By no means are digital tools a whole-of-government solution to all problems of citizen engagement. There are also limitations in data production for participation. Both empirical cases have their own specific problems of application. In particular, digital tools used for supporting citizens’ engagement must be carefully designed according to PG principles. Given that the major aim is to enhance citizen engagement, it really makes sense to use digitalisation as a means for more elaborate participation, not as an end itself. This is also why new forms of tensions and power struggles have emerged.

PERFORMANCE MEASUREMENT AND HYBRIDISED PUBLIC GOVERNANCE

Network Performance (Johnsen and Waters)

In their chapter, Johnsen and Waters explore the adoption and uses of performance measurement and management in schooling. Although school performance is often conceptualised and measured at the level of organisations, school performance is actually an assemblage of governance structures and networks of agencies and institutions that operate at different societal levels. Thus, the performance of schooling is influenced by national educational policies, international policy influences and diffusions (e.g., the Organisation for Economic Co-operation and Development), central government agencies, counties and municipalities and, naturally, schools themselves, which may be run by different government agencies, non-profit organisations or even business firms. Schooling needs to be legitimised to a significant number of audiences, including the actors and organisations mentioned above, but also to educational professionals, parents and children (Johnsen and Waters, in this volume).

In such a context, the adoption of performance management systems is an important choice. In Norwegian schools, performance management is intertwined with performance management of the host municipality that extends the performance management into schools. Interestingly, performance management through objectives did not have a significant impact on high school performance. School performance was more explained by factors associated with past performance and the contextual factors. As an illustrative case connecting performance management and horizontal network governance, the City of Oslo is indeed interesting. It has had a unique position in the Norwegian context, as it has been responsible for the performance of a wider network and because it has first-hand access to rich sets of performance data. Thus, Oslo represents the important characteristics of performance management in schooling, not only through traditional hierarchical ‘school owner’ governance but as a context of stakeholder governance. Being responsible for horizontal performance and being able to manage horizontally across multiple units and levels is a complicated task that may, however, create new forms of value in hybrid settings of governance. We need more insights into the possible implications of how such a hybrid, multi-level governance setting may influence horizontal school performance (Johnsen and Waters, in this volume).

Non-Financial PMS (Andreaus et al.)

Andreaus et al. discuss performance measurement from the viewpoint of PG in an organisational setting, with the intertwined perspectives of hybridity and mutuality. In addition to the hybridity perspective with competing institutional logics and value constellations, mutual organisations, in this case insurance companies, are shaped by the need to mix the values of customers and owners (Grossi et al., 2022). With such democratic principles, the mission is to guard the interests of minorities. In this respect, mutual organisations can be seen as particular forms of hybrid organisations but also as potentially novel arrangements to address the problems of myopia and the narrow focus on financial value creation (Andreaus et al., in this volume). Andreaus et al.’s question is how to address these potentials through PMS and practices.

The chapter provides a critical scrutiny of the current thinking and practice. Importantly, they argue, a potential problem lies in the PG approach itself because the execution of democracy is questionable. The degree of participation is difficult to measure. Understanding of the contributions of those who actually participate is highly limited. The mixes of relevant financial and non-financial performance measurements remain partial, narrow and one-sided. Through the case study of Alpha, they demonstrate the need to develop a tailored measurement technique that could capture important dimensions of hybridisation. Furthermore, the chapter contends that hybrid organisations disclose measurements related to community benefits. However, more focus should be devoted to the internal facets of hybridity, including the assessment of benefits to members and to the ways in which participation in the governance model can be ensured. This captures the *raison d'être* of a mutual organisation as a hybrid entity (Andreus et al., in this volume).

Digitalised PMS (Agostino and Riva)

The chapter by Agostino and Riva critically discusses the process of designing and using a digitalised PMS in central government. Their empirical case is the Italian Ministry of Culture and, more particularly, the aims of the ministry in promoting the digital transformation process by providing unutilised types of real-time UGD on the reputation of state museums. The chapter opens up interesting reflections on the hybridisation of performance measurement and accounting instruments in the context of digital governance. The case demonstrates the combinations of two types of logics: first, the logic of algorithm-driven UGD and social media data, connected with the pressure of being visible to online followers; and, second, the more general public sector service logic to render results visible and transparent to citizens. This is an intriguing case for accounting.

Fundamentally, algorithms constitute a unique proxy of perceiving a mental model of a public organisation and the digitalised PMS of that organisation (Karppi and Vakkuri, 2020). Thus, multiple alternatives in choosing the algorithm make the process far from technical and institutionally neutral. On the contrary, as Agostino and Riva argue, the presence of multiple alternatives was associated with the possibility of disclosing distinct types of results and generating different systems for ranking the organisations. This incentivised gaming behaviours that are driven by the algorithmic logic rather than by the need to disclose the proper code of conduct to the central government or general public. Interestingly, these multiple views of the organisation – depending on the algorithm adopted – affect the system's legitimacy and pose further questions on who should be in charge of selecting the algorithm itself. The chapter calls for a broader discussion, on both the accounting and accountability implications of digitalised PMS and the mechanisms through which human and non-human agency can be combined in hybridised accounting practices and systems (Agostino and Riva, in this volume).

ACCOUNTING REPORTING AND HYBRIDISED PUBLIC GOVERNANCE

Whole-of-Government Accounts and Consolidation (Chow and Stewart)

It is widely acknowledged that accounting is a better fit with hierarchically conscious institutional action and vertical accountabilities than with actor constellations collaborating to address complex and inter-organisational policy problems for shared value, joint ownership and horizontal accountabilities (Johanson and Vakkuri, in this volume; see also Hopwood, 1996). While network forms of governance often remind us of the desire for tighter vertical accountability that could be beneficial for more elaborate managerial controls, the incentives for entities to work together are the problem.

One instrument for accounting reporting to tackle this problem is consolidation that can be regarded as a goal-directed network, consisting of bodies within government working towards an end goal which is the annual preparation of consolidated accounts (Chow and Stewart, in this volume). In their chapter, Chow and Stewart also highlight established experiences (Australia, New Zealand and the UK) with consolidation and their role in representing the move towards network governance. In reality, consolidation is a consequence of network governance, highly dependent upon a range of factors in order for it to be effective. The major problem is the competing incentives at play. The chapter contends that, as an accounting instrument, consolidation is not necessarily a ready-made recipe for addressing the problems of network governance. This is due both to the complexity of network and collaborative structures as such but also to the complex inter-linkages between networks and the accounting representing network behaviours. As consolidation aims at the vision of global rationality, incorporating the comprehensive accounts of the government, arm's-length bodies, boundaries and standardisation of consolidation, turf battles between different competing accounting systems make it difficult for consolidation to be an effective mechanism for hybridised public governance that is organised through hybrid constellations of networks. It will be challenging to have consolidation that is all things to all people.

Popular Reporting (PR) (Bartocci and Secinaro)

In accounting, collaborative and participatory perspectives have been adopted and implemented in planning, programming and budgeting but less so in the field of reporting activities. PR is one practice that has been utilised to make public sector financial reports more accessible and transparent to citizens. Societies are interested in how to integrate the public with the reporting schemes of government activities. In their chapter, Bartocci and Secinaro scrutinise PR as an accounting instrument to deal with public sector legitimacy, by empirically analysing PR practices at the local government level of Italy.

While the primary intention of PR is to enhance cooperation and dialogue with the citizens, the reporting process is strongly rooted in a top-down perspective and characterised by a lack of familiarity with the interests, motivations and logics of both public managers and citizens. Bartocci and Secinaro argue in favour of more intensive integration between the various participatory initiatives. It is also the case that, despite their appeal as a modern instrument, technological artefacts cannot completely replace the traditional form of communication. In that respect, PR should be cognisant of what is perceived as 'popular' in the eyes of citizens.

This is also why the authors call for more sophisticated understanding of the characteristics and implications of accounting instruments for enhancing citizen engagement. The same legitimacy requirements apply to the accounting instruments, irrespective of their roles at different stages of the performance management cycle.

Internet Reporting (Secinaro et al.)

Municipalities and other public agencies are increasingly adopting digital tools to improve their reporting systems. In their chapter, Secinaro et al. discuss these new modes of internet reporting in the context of digitalised governance in 20 Italian municipalities. They emphasise the need to more fully understand the benefits and problems of digitalisation and the ways in which, with these tools, municipalities and other public organisations actually enable new behaviours. For instance, the effective utilisation of the tools requires strategic partnerships and contractual arrangements among actors and networks in public administration, to ensure the effective use of the reporting information (Secinaro et al., in this volume).

Based on their empirical analysis, the authors recognise the important potential that new technologies provide to the public sector and public managers. Considering the potential of technologies, however, digital governance could include more sophisticated design processes and applications, with greater emphasis on interpreting the diverse needs of citizens. Moreover, future analysis should recognise the risk of the impact of internet reporting on citizens. Without sufficient dialogic and participative processes for internet reporting, it is possible that citizens feel even more distant from the decision-making processes. Given the promise of digital governance, this would be a paradox. Accordingly, the chapter discusses the more unified theoretical framework joining digital tools with greater openness, transparency and public dialogic capacity. There is a need for such a holistic framework.

CONTRIBUTIONS OF THE BOOK AND FUTURE RESEARCH AGENDAS

This book has investigated the consequences of public governance development and hybridisation for public sector accounting. Depending on the focus, three forms of public governance are identified: network, collaborative and digital governance. Network governance notably focuses on a network of multiple organisations and actors that extends the traditional boundary of governmental organisations and their duties. Collaborative governance concentrates on governments' efforts to create a dialogue with citizens and other stakeholders, while digital governance's concern is the benefits of digitalisation and solutions for managing the public sector. These forms not only alter the way public services are delivered, and how multiple values are created, but they also influence accounting systems and practices in their various meanings.

The notion of 'public' has changed, and the ways in which governments steer public sector activities, deliver public service and create public value are becoming more complex. Accordingly, public sector accounting practices are being reshaped to keep up with the times. This applies to the concept and institution of accountability that has become more horizontal and hybrid – providing accounts on multiple relationships, such as contracting out, public and private partnerships, networks and third-sector organisations (Bovens, 2007). Moreover,

accountability is becoming more open, addressing the needs of a broader range of stakeholders, including citizens (social accountability), who can be also activated by technological innovations (interactive accountability) (Schillemans, Van Twist and Vanhommerig, 2013). With this development, accountability is also subject to new types of tensions and conflicts instigated by coexisting pressures to balance formal rule-based responsibilities with the more compassionate forms of citizen engagement.

Budgeting has become more comprehensive and requires skilled practitioners who can budget for activities to be performed by a broader array of organisations and networks influenced by hybridised public governance (comprehensive budgeting). New complexities arise when budgeting processes are open to dialogue with, and under the influence of, citizens, as in the case of PB. Digital solutions might facilitate interactions with stakeholders in decision-making processes with interactive or digital PB (Bartocci et al., 2022).

Performance measurement aims to move beyond the traditional notion of results and boundaries of single nodes, organisations, to capture the results produced by collaborative efforts as well as networked and hybrid actors. More than before, there is a special need to explore new ways of measuring both financial and non-financial performance, and to discuss performance, not only as a technical measurement problem, but as a more profound reflection of values, valuation and value creation. Such an elaborate approach is highly instrumental, for instance, in understanding the performance of PG systems in organisations, and the hybridity of digitalised PMS with complex interactions between human and non-human agency.

For accounting reporting, it is difficult to adapt to the expanding boundaries of the various organisations creating public values. Whole-of-government accounting and consolidated financial reports respond to the establishment of wider networks of actors. Simultaneously, alternative reporting formats, such as sustainability, integrated and popular reports, are gaining interest in theory and practice for their potential to reach a comprehensive range of stakeholders. Our book shows that PR can help public sector organisations to enhance collaborative governance and dialogue with citizens. Digitalisation also affects reporting, with the trends of implementing internet and electronic reporting. However, digitalisation processes should avoid empty promises.

Our book offers new important research possibilities for accounting and non-accounting scholars. By studying the characteristics of emerging accounting practices and interpreting the conflicting behaviours of the various interconnected organisations, stakeholders and technologies, scholars can identify novel themes, unveil tensions and propose impactful solutions for accountants, public managers, practitioners and politicians. Let us offer some final reflections on that position.

First, public sector accounting is living through a period of expanding organisational boundaries, citizen involvement and technological innovations. Inter-disciplinary and critical accounting scholars have paid limited attention to the links between different actors (accountants, controllers, auditors and professionals), organisations (public, private and hybrid) and digital platforms in developing accounting practices. There is still limited research explicitly focusing on the role of the different actors in the design and implementation of accounting and accountability practices in hybrid governance contexts (Vakkuri et al., 2021a; Grossi et al., 2022).

Second, while digitalisation is claimed to be the future of smart and open governments, risks and uncertainties (e.g., migration, populism, financial crises, austerity, corruption, wars, earthquakes, pandemics and other natural disasters) indicate the need to pursue democratic and

social values, besides the well-established rational view of establishing effective calculative practices. We know little about the role of accounting and accountability practices related to these catastrophic events and the broader area of natural and human-made disasters (Grossi and Vakulenko, 2022; Sargiacomo, Ianni and Everett, 2014).

Third, the three forms of public governance identified in this book should not be considered in isolation but, rather, as intertwined and interdependent, embracing different dimensions and facets of hybridity. Moreover, new forms, levels and variants of public governance also emerged in the book. This remains an important starting point for a large part of the hybridity and hybrid governance research. This book has demonstrated the need to address the multifaceted and complicated linkages between micro-, meso- and macro levels of governance (Grossi et al., 2017; Vakkuri and Johanson, 2020).

Fourth, having accepted the need to be more inclusive and consider the voices of different categories of stakeholders and the multidimensionality of public sector performance, the rationalising role of accounting (Guthrie, Olson and Humphrey, 1999; Miller and Power, 2013) – celebrated within NPM – is undermined. Network governance attributes a steering role to public sector accounting, which is connected to the rationalising role recognised in NPM but relates to a network of different hybrid organisations. Collaborative governance attributes to public sector accounting a democratising role, whose scope moves beyond traditional financial performance. Digital governance is a double-edged sword because we are not fully cognisant of the extent to which and how digitalisation may lead to automatising accounting systems or how it can simultaneously increase possibilities for new forms of interaction between human beings (Grossi and Argento, 2022). The complex hybridisation of human and non-human interaction in public sector accounting systems provides a highly relevant research topic, particularly for accounting.

Fifth, this book identifies the evolving accounting practices that have occurred and possibly can occur. While it is evident that different disciplinary orientations introduce their own idiosyncrasies to what is an important research question and how the level of analysis may be conceptualised, this book has extensively argued why and how the analysis of public governance hybridity may benefit from the plethora of disciplinary perspectives. Insightful scrutiny of hybrid governance and organisations requires innovative inter-disciplinary frameworks for analysing how societal activities may transcend the boundaries between public, private and civil society and how the actors, stakeholders and technologies are embedded in a more comprehensive framework of hybrid governance.

While the book has covered crucial topics of accounting and public governance, highly important areas, such as risk management and auditing, have not been systematically addressed. We warmly encourage scholars to engage themselves in inter-disciplinary research endeavours to discuss those and other relevant accounting topics in the context of hybridised public governance.

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