

CONTEXTUALIZING PLANNING AND BUDGETING SYSTEMS: PUBLIC SECTOR EXPERIENCE

Anup Chowdhury and Nikhil Chandra Shil*

Department of Business Administration,
East West University, Dhaka, Bangladesh
E-mail: anup@ewubd.edu.my; nikhilacc@yahoo.com

ABSTRACT

This study is about the exploration of planning and budgeting systems in the context of New Public Management initiatives in Australia. A case-based research method was used in developing a fuller understanding of the relative role of the planning and budgeting system in the management of organisational performance. Evidence from the field support that the researched organisation has operated within the context of a range of reformed government policies, strategies and laws. It was also found that the selected organisation had made changes in its structure and operation to achieve cost-efficiency, budget accountability and an improved customer focus in service delivery. The research demonstrated that planning and budgeting systems in the selected organisation are the functions of the New Public Management linked to the key areas of financial management. These findings are consistent with the view that changes to the Australian public sector promoted managerial accountability and a culture of performance. The research undertaken was in-depth, using a case study and though generalisation is not possible, the findings may add knowledge to the existing literature and provide some important lessons for other public sector entities who are interested in adopting these control systems as their control devices.

Keywords: planning, budgeting, new public management, case study, public sector organization, Australia

ARTICLE INFO

Article History:

Received: 5 January 2018

Accepted: 8 March 2018

Published: 31 August 2018

INTRODUCTION

Budgeting plays a central role in the public sector and is used to allocate a large share of national income (Anessi-Pessina et al., 2016). The public sector represents the activities undertaken almost solely by governmental agencies, and accomplished by a mix of departments of state, statutory authorities, and other legal and political institutions (Aulich and Nutley, 2001; Flynn, 2007). Broadbent and Guthrie (1992) and Lane (2000) argued that the public sector is the part of a nation's economic activity which is traditionally owned and controlled by the government. They mentioned that the public sector includes those public organisations which provide utilities and services to the community and traditionally have been seen as essential to the fabric of society.

The public sector in Australia includes all entities that are majority-owned and/or controlled by the Commonwealth, state or local governments. The Australian public sector includes government departments, which deliver traditional public services, and government-owned businesses (Australian Treasury, 1990). These government organisations perform a wide range of functions and provide a variety of services to the community. The nature of these organisations has been public utilities, such as, providing transport, electricity and water supply services. Other public sector organisations operating outside the public service framework include non-commercial broadcasting organisations, government-supported education and research institutions, authorities overseeing the marketing of primary production, and organisations providing licensing and regulatory arrangements for those requiring professional or skilled trade qualifications (Australian Public Service Commission, 2003). Parker and Guthrie (1993) and Guthrie (1995) mentioned that the Australian public sector undertakes activities both budget and non-budget in nature.

Traditionally the public sector organisations are funded by grants raised by government from taxation and these organisations provide supply services and utilities which are the part of the infrastructure of society. However, a movement away from this situation has emerged and the emphasis is given on efficiency, effectiveness, cost savings and managerialism in the public sector (Broadbent and Guthrie, 1992; Wollmann, 2003; Starling, 2011). These changes have redefined the public

sector and have given increased standing to costs and to new systems and symbols of accountability. Broadbent and Guthrie (1992) pointed out that in Australia, the various levels of government have introduced 'market discipline' and 'best commercial management practices' either through commercialisation (the process of introducing commercial management principles, practices and accountability regimes); or through corporatisation (use of a corporate form of legal, governance, management, accounting and accountability purposes for public sector business activities); or finally through privatisation (the selling of part or all of a corporatised public sector entity to private capital).

These elements of reforms created a new orthodoxy in the public sector, namely 'New Public Management' (NPM) (Hood 1991, 1995; Dunleavy and Hood, 1994; Hoque 2005, 2008; Alam and Nandan, 2008). The NPM movement has emphasized the value of market efficiency in the public sector and stimulated various managerial reinventions (Moon, 2000; Tooley, 2001; Luke, 2008; Christiaens and Rommel, 2008). Hood (1991) was the first to use the term New Public Management (NPM). He (1991, 1995) explored changes in public sector financial management in a number of OECD countries over the 1980s linked to the NPM. He (1991, 1995) argued that NPM involved a different concept in public accountability, with different patterns of trust and distrust and hence a different style of accounting. He (1995) pointed out seven dimensions of change within this NPM and mentioned the doctrinal components of NPM which are: (1) a shift towards corporatised units; (2) a shift towards greater competition both between public sector organisations and between public sector organisations and the private sector; (3) a move towards private corporate sector management practices; (4) greater stress on discipline and parsimony in resource use; (5) more emphasis on visible hands on top management; (6) a move towards more explicit and measurable (or at least checkable) standards of performance; (7) attempts towards output control. In his doctrinal components on NPM, Hood (1995) also showed some possible accounting implications, for example: more cost centre units, identifying costs and understanding cost structures, private sector accounting norms, more stress on the bottom line, more use of financial data for management accountability, performance indicators and audit and broader cost-centre accounting.

The Australian government has been engaged in implementing a series of financial and administrative reforms for more than thirty years. It began in 1970s and started with a set of administrative law reforms. In the 1980s the Australian government introduced a set of ambitious managerialist administrative reforms (Dixon et al. 1996). Wilenski (1986) mentioned that economic, social, political and managerial factors came together in the early 1980s to accelerate the reform initiatives of the 1970s. Yeatman (1994) argued that as a creative and pro-active agency of management, public sector has more to do than with just technical routines of administration. In this context, the Australian public sector has been seen to move from an ethos of public sector *administration* to public sector *management* (Hawke, 1990; Halligan and Power, 1992; Wanna et al., 1992; Parker and Guthrie, 1993). Public sector administration was traditionally characterised in terms of administering the legislated functions of government organisations. It was an authority-based administrative approach that was characterised by a bureaucratic structure and the process model originally laid down by Max Weber. Over the last decade in the Australian public sector, this approach has been supplemented by the managerialist model with a focus on outputs (Parker and Guthrie, 1993; McKay, 2003; McPhee, 2005; Halligan, 2009). Halligan (2004) argued that in addition to various administrative reforms since the 1980s the different levels of Australian public agencies have implemented a series of financial reforms. These financial reforms have also increased the sophistication and complexity of public service financial management and provided a powerful tool for public sector resource management and accountability (Barrett et al. 1994). The Financial Management Improvement Program (FMIP) was a major initiative in this context. Since 1983 the Financial Management Improvement Program has been central to the reform program in Australia. Halligan (2009) argued that the FMIP dominated the reforms of the 1980s as an initiative designed to produce more efficient use of resources. FMIP is the product of a report on the efficiency and effectiveness of the civil service. Zifcak (1994) argued that principles of accountable management should be introduced to ensure that performance was regularly evaluated against approved goals, strategies and priorities. The major components of the program were in the areas of forward estimates, the running costs system, portfolio budgeting and program management and budgeting (Holmes, 1990; Ball, 1990; Shand, 1990). Barton (2009) argued that the adoption of accrual accounting and budgeting systems was central to the program of the Australian public sector

financial management reform over the past thirty years. Halligan et al. (1992) claimed that FMIP was essentially an umbrella concept for a range of initiatives which involved a standard managerialist line-up: corporate and program management, corporate planning, program budgeting and performance evaluation. The program aimed to help managers to focus on ‘managing for results’, rather than directing their efforts to inputs and processes in order to obtain greater resource efficiency and effectiveness (Shand, 1990; Australian Public Service Commission, 2003).

The Research Questions

Berry et al., (2009) found that during the last two decades, the concept of ‘new organisational forms’ has gained currency and transformation is more prevalent in some sectors, specially in the public sector. In the light of reforms in the Australian public sector over the last thirty years, the present study is about the exploration of planning and budgeting systems in the context of the New Public Management (NPM) initiatives. A government department, in the Australian Capital Territory (ACT) was adopted as a field of investigation for the purpose of this exploration. The study will seek answers to the following research questions:

1. What are the planning and budgeting systems of the financially and managerially oriented selected public sector organization?
2. In what ways are these planning and budgeting systems linked to the organisational actions?
3. How have these planning and budgeting systems contributed to and shaped a new organisational culture?

Research Method and Data Collection

Public budgeting lies at the intersection between different disciplines and professions, but this multifacetedness have been largely neglected by the existing literature (Anessi-Pessina et al., 2016). This research explored in depth the planning and budgeting systems in the context of new public management initiatives in Australia. A governmental department in the Australian Capital Territory was selected for the purpose of the exploration. The qualitative research approach was adopted and data was collected in the case study tradition. By using a qualitative research methodology, this study

is something like a naturalistic inquiry (Guba and Lincoln, 1981) which provides a thick description (Geertz, 1973). The main data sources were archival official documents and interviews. The epistemological position influenced the researcher to conduct interviews because it allows a legitimate or meaningful way to generate data by talking interactively with people, to ask them questions, to listen to them, to gain access to their accounts and articulations, or to analyze their use of language and construction of discourse (Mason, 2002). The primary interview method used in this study was unstructured and open-ended. In this study, the snowball sampling technique was used. This technique identifies respondents who are then used to refer the researchers to other respondents. As per the Human Ethics guidelines, every interviewee was given a Participant Information Statement, an Individual Consent Form and a Withdrawal of Consent Form. The interview proceedings were tape recorded with the consent of the participant. For safety reasons, back-up notes were also taken and checked and compared when the transcriptions were made. The interview tapes were transcribed later word for word. Key interview transcripts were fed back to the respective interviewees to establish the validity of the interview data. In addition, the researcher used direct observation to supplement and corroborate the archival documents and interview data. In a qualitative inquiry, data collection is not an end. It requires analysis, interpretation and presentation of findings (Patton, 2002; Irvine and Gaffikin, 2006; Merriam, 2009; Nagy et al. 2010). In this study, the researcher analyzed data using the approach provided by Miles and Huberman (1994) which includes data reduction, data display and conclusion drawing and verification.

Theoretical Framework for the Study

Over the last two decades it has been observed that a series of alternative approaches have been used in qualitative research. One of these approaches is motivated by interpretive sociology (Glaser and Strauss, 1968; Schutz, 1967). Interpretive perspective epistemologically believes that social meaning is created during interaction and people's interpretations of interactions (Hesse-Biber and Leavy, 2006; Cresswell, 2007; Gaffikin, 2008). Chua (1988) argued that interpretive sociology refers to an intellectual tradition which focuses on the constructive and interpretive actions of people. Llewelyn (2003) observed that a qualitative research using interpretive methodologies now has become increasingly

influential. According to these methodologies, planning and budgeting systems are not a natural phenomenon as they are socially constructed and they can be changed by social actors (Ryan et al., 1992). Interpretive approaches illustrate the subjective nature of the social world and tries to understand it primarily from the frame of reference of those being studied (Hopper and Powell, 1985).

Humphrey and Scapens (1996) found that published management control researches have been influenced by these interpretive approaches of writings of social theorists and philosophers. Management control researchers adopted these theories to analyse sociological and philosophical discourse (Zawawi and Hoque, 2010). They used various sociological and philosophical theories, for example, theories provided by Foucault, Latour, Marx, Adorno, Braverman, Gramsci, Hebermas, Giddens, Weber and Derrida. These theoretical stances helped to understand issues of social control and coordination (Covaleski and Dirsmith, 1990; Covaleski et al., 1996; Lodh and Gaffikin, 1997). In order to gain a better understanding about the planning and budgeting systems in an organisation, it is necessary to look at the relationship between day-to-day social action and the various dimensions of social structure. The present study adopted an interpretive approach and used Giddens's structuration theory to understand how planning and budgeting systems, one of the important management control systems, are implicated in their social setting. The epistemological and ontological belief also inspired the researcher to adopt Giddens' structuration theory in this study. Here, it is assumed that multiple realities can exist in a given situation and for this reason the intention of the research is to promote a subjective research. Giddens suggested that within the processes of structuration there are three dimensions of social structure (Giddens, 1979, p. 97) Signification (meaning), legitimation (morality,) and domination (power). Signification is the *rules or aspects of rules*. These are *codes* or modes of coding. Domination involves *authorisation* and *allocation*. Legitimation is the modes of normative *regulation*. When people act, they draw from these structures. Agents in their actions constantly produce and reproduce the social constructs and Giddens mentioned that all human interaction is inextricably composed of structure of meaning, power and moral framework. These three dimensions are only analytically separable properties of structures (Giddens, 1979, p. 97) and are inextricably linked in reality.

Findings of the Study

Evidence from the field and organizational documents supports that from the very beginning of its establishment; the researched organisation adopted various management control tools. The impetus for adopting these control tools was influenced by the Federal and the ACT government's reform initiatives. New public management philosophy and the quality of services were the important drivers in this reform process. To attain the strategic objectives, the researched organization has applied a number of control devices and developed integrated, systemic approaches to planning and service delivery. Planning and budgeting is one of the important control devices which the department has implemented to promote and maximise the opportunities for its clients.

Planning and budgeting systems, are core elements of financial results control systems of an organisation (Chenhall and Euske, 2007; Malmi and Brown, 2008; Mundy, 2010, Frezatti et al. 2011; Merchant and Van der Stede, 2012). In an organisation it is used for a number of control-related purposes such as the setting of performance targets and standards for evaluating performance (Nilsson and Olve, 2001; Jones and McCaffery, 2005; Sandelin, 2008; Elbashir et al. 2011). It is evident that in its first year of operation, the selected public sector organization developed its First Strategic Plan for 2003 to 2005. It identified the department's strategic themes for the next three years. It involved making decisions about the organisation's long term goals and strategies.

Strategic process describes the managerial activity inherent in shaping expectations and goals and facilitating the work of the organisation in achieving these goals (Dent, 1990; Simons, 1990). In preparing their strategic plan the researched organisation follows the Territory Government's Performance and Accountability Framework which is different from the private sector. Strategic planning requires identification of priority actions and achievements that will contribute to the longer-term goals of Government (ACT Government, 2011). Management control systems work in order to translate strategies into action (Riccaboni and Leone, 2010). This is evident in the researched organization also. The 2002-2003 Summary of the Annual Report of the researched organization suggests that strategic planning occurred with consideration of the vision, mission, values, and

principles of the department. Senior executives and specialized planning unit developed goals, plans and actions for the department. In its strategic plan the department brought together a number of related functions that previously operated in separate portfolios. The department also took a lead role in several whole of government projects. In doing these important tasks the department developed its strategic plan in the context of Territory government's vision. The Territory government's vision is to try shaping the future as a community which includes all citizens as prosperous, progressive, skilled and creative. In the light of the government's vision, the department has set their mission, objectives and responsibilities which included responsive programs and efficient and effective delivery of services for people within the community. In its First Strategic Plan 2003-2005 the department mentioned its responsibilities as:

We will work together to continue to build a department that is fully integrated and a workforce that values the opportunity to work together. We will focus our efforts on being a place where people want to work and there is a record of achievement. Our service will be respected and valued by our clients.

(DHCS, 2003)

The department evaluated their first strategic plan and identified specific policy imperatives. As a result of the evaluation in 2006 the department developed its Second Strategic Plan 2006-2008. Investigations of this plan revealed that there were several strategic priorities including functional and administrative changes of the department. The reason behind this was that the department was not able to cope with the emerging needs. As a result, the department started to implement various private sector tools. These strategies were the major guideline for the department's structure and responsibilities and described the ways of achieving its objectives. It was evident that at this stage the researched organization introduced private sector strategic management as part of their reform. This reform brought a challenge to the signification structure of the DHCS and required to implement new interpretive schemes (Giddens, 1979; 1984).

In this study it has been observed that the researched organization has implemented management control tools prompted by various public sector reforms initiatives linked to new public management. Structuration theory

is used in this study to understand how these control tools are implicated in the wider organisational context of the researched organisation. The new signification structure is the value for money and the new interpretive scheme is the planning and budgeting systems which mediate between the signification structure and social interaction in the form of communication between managers and employees (Macintosh and Quattrone, 2010). A review of organisational documentation supports the same view.

According to the strategic plan each area of the department develops their business plan. It is a formal process and these Business Plans identify the specific procedures and processes required at all levels of the units (DHCS, 2006). For instance, one of the senior executives of the department recalled his experience:

Our strategic and operational plans, both are prepared on a continual basis. Throughout the year we have different areas in the department use slightly different processes, but we all bring it together. We have a monthly senior executives meeting and a monthly Board of Management meeting. All of which can have strategic issues to raise but two or three times a year we do strategic planning sessions where we sit down and have a facilitated planning session. We look at the issues that are arising and other issues we will look at how we can improve that or what we need to do to look at the issues coming forward. So that's done quite formally.

Another senior executive of the department reiterated this point:

There is a process of business planning which comes within our policy framework. We have a service delivery platform and a departmental policy program where it gives valuations and our executive meetings which steps up to the Board of Management which is a monthly senior managers meeting in which policy areas are discussed as well as financial and human resource areas. There is a monthly executive meeting which watches all of the department and highlights significant areas and any areas of compliance that are needed to be addressed or needed to be tightened up.

The view was similarly expressed in the words of another senior executive:

There is a whole heap of different ways in which each month we have to report on all our project work to our executives. I am part of that executive and everyone has to do that. We have regular meetings and supervision sessions between managers' at all different levels and we have to report on our work. Everyone has a work plan about what is their duty for the coming year. Every area is meant to have a work plan which looks at what they are meant to do and report back on that.

From the organizational document it is evident that the department uses the bottom-up approach in preparing these business plans. In the context of public policy, plans are informed by community expectations. These community expectations are an innovation in the public sector and which is different from the private sector. Business unit managers receive goals and plans from staff members. Business units' planning activities are limited to specific procedures and budgets for the units. Analysis of the Business Plan revealed that each business unit analyses the previous key achievements and outlines the milestones for the following year (DHCS, 2007). To achieve the goals of the organisation in its Business Plan, each unit identifies the stakeholders, channels and delivery mechanisms, message to be conveyed, timing, and responsibility. Responsibilities are divided into three categories: preparation, delivery and feedback which is also absent in the private sector. Business Plans also provide a range of performance indicators, for example, hours of service or the number of clients to aid in the control of these responsibilities (DHCS, 2006). According to this Business Plan, each individual staff is required to prepare an individual work plan.

It is apparent that these control tools are designed in line with NPM initiatives. Some of the tools they used directly from the private sector, some of the tools they modified, and some of them unique to the department which are innovations in the public sector. These control mechanisms in the researched organization have played a major role in the change culture of the Department. Interviews and examination of the organisational documents also support that it has both communicative and constructive roles in the business of the department (DHCS, 2006). To implement successful

management approaches, the department has created a culture of effective consultation and employee participation in decisions. For example, people throughout the organisation are given an opportunity to take part in the planning process. This is not present in the private sector. One of the junior staff of the department pointed out:

In our business planning we consider current economic, social and environmental conditions and future requirements and challenges. Community needs and aspirations are important in this regard. People at the bottom level are very close to the clients and well informed about their needs. That's why all the staff take part in the planning process. It focuses effort and attention, co-ordinate and prioritizes action and identifies clear points of accountability.

In the researched organization, it is evident that this participatory process helps to improve communication through mutual exchange of ideas and experiences which are also not present in the private sector. Involving budgets in discussions and meetings can increase the scope for work that leads to greater freedom, social cohesion, and wellbeing (Bryer, 2018).

Another integral part of the planning process in the researched organization is the budgeting process. Budgets come second, next to planning, at the top of the list of public sector manager's concern (Corbett, 1996). In an organisation, the budgeting system is a combination of information flows and administrative processes and procedures which is an integral part of short-range planning and control systems (Merchant and Van der Stede, 2012). Alam (2005) also argued that budget is a short-term plan that translates goals and strategies of an organisation into action and includes a coordinated set of detailed operating schedules and financial statements. He further argued that there is a close relationship between budgets and other planning activities, especially strategic and long-term planning within the organisation. The budgeting process in the researched organization is concerned with how budgets are actually formulated and implemented within the department. In the researched organization budget acts as a modality of the structure. This modality is the means by which structures are translated into actions (Giddens, 1984). The researched organization's case supports Graham's (2007) argument that budgeting is an important

management tool not just for assigning scarce resources but for purposes of planning, setting direction, and internal control and accountability as well. In this sense budgeting in the researched organization is considered a social phenomenon and according to Giddens (1979, 1984) it is neither the product of structure nor agency alone, but of both.

Corbett (1996) observed that as well as being indispensable for planning and for accountability, government budgets are crucial for management and control within the public sector. In the selected researched organization emphasis is placed on budgeting to ensure targets are met through the controlling of costs and revenue at all levels of business. However, controlling costs in the public sector is not same as the private sector. The researched organization has adopted program budgeting, under which planned expenditure is allocated to particular programs. It is an innovation in the public sector which is not present in the private sector. This budgeting program is the product of the Financial Management Improvement Program of the public sector reforms initiatives in Australia. In the researched organization, the objectives of the programs are stated in the Budget Paper. In the Budget Paper the department sets the priorities. These are the strategic and operational issues that are to be pursued during the year. In the Budget Paper The Department also mentions business and corporate strategies, output classes, strategic indicators, accountability indicators and statistical measures (DHCS, 2006- 2007, 2007- 2008). These elements formed the new structure of signification and showed how purpose and meaning are attributed to everyday activity in the researched organization.

At present, the researched organization is using incremental budgeting system based on adjustments to items in the previous year's budget along with the additions and subtractions arising from program or funding changes. It has been observed that zero-based budgeting system was not being adopted due to the limited number of qualified person in the researched organization. Interviews with a participant revealed that the nature of the work of the researched organization does not change significantly from year to year, so incremental budgeting is appropriate for them. However, they may use zero-based budgeting from time to time as a diagnostic tool to understand why an area may not be achieving its budget as expected, or when a new function is transferred to the department. For instance, one junior staff of the department expressed his experience:

Traditionally we have prepared a zero based-budget but over the past couple of years with the amount of savings it's shifted very much from an incremental budget and probably some kind of hype between these two. The zero based is what we need to look at the services and then allocate it within the budget.

The department spends months in consultation with interest groups, departmental employees, parliamentarians and the public in order to come up with the best possible budget measures. This type of accountability structure is uncommon in the private sector. Accountability devices can enhance citizens' involvement in public matters and change objective power relations; they can affect the entire society, well beyond the frontiers of participatory arenas (Célérier and Botey, 2015). Interviews with the participants indicated that though this process is time-consuming and expensive, the department is happy to do so to achieve a best possible budget measures. As part of the annual budget process, each area's managers are responsible for providing cost estimates. The final result is the operating budgets for each manager's area of responsibility. The department prepares its budget on a month by month phasing for the coming financial year. In the Budget Paper it has also been observed that the department estimates a percentage of variance. They review their budget according to these estimates. It can be compared with 'shifting of goal post' which is not present in the private sector.

The researched organization's budget paper includes annual estimates for the three forward years (DHCS, 2006-2007, 2007-2008). The budget reflects each area's proposed outputs and their work program for the first year and an outline for the following two-year period. This practice is different from the private sector and forward estimates are not present in the private sector. These forward estimates are major components of financial administration reform in the Australian public sector. Interviews and the researched organization's internal documents indicated that NPM reforms encouraged the Department to develop clear and mutually compatible objectives. The different divisions of the Department translate these objectives into their operational targets.

As part of the department's annual budget formulation process, managers of each business unit prepares details of their proposed work program, which includes overall government strategy, integration with other

manager's work programs, resources required to achieve the work program and the Chief Executive's consideration. Therefore, the primary budgets are prepared at the business unit level. Finally, all of the units estimates are incorporated and reviewed in line with the overall corporate goals and plans. It is the corporate budget and the preparation of this budget is controlled by the Director of Finance and Budget. Approval of the budget rests with the Chief Executive and the government. One of the senior managers (MS) in the Finance Division of the department commented on the budgeting process of the department:

In the department the financial measurement is the budget and to that extent we check the budget. I am responsible for making sure that the organisation does just that. But obviously the business units have their own budgets and part of my responsibility is to help them to achieve that. From the overall department perspective in larger business units, Finance Managers see their role accountability and financial targets within their business unit budget. I have to see both and I have to monitor what the issues are and then I also have to make sure that the department's accountability in Government is met. Our Finance Team's role in terms of those targets is coordinating them.

Budgeting became integral to the signification system (Giddens, 1979, 1984) for the researched organization's managers. In the researched organization, the managers are accountable to achieve the budget target absolutely. The budget formulation and implementation process in the Department is presented in Figure 1. Organisational documents suggest that for a new initiative, the Department prepares initiative concept briefs and submits it to the treasury. Then it goes to the priority review process of the budget cabinet. After that, all the agencies initiatives are short listed into business cases and submitted to the Treasury for review. Then Budget Cabinet approves appropriation. After that a public hearing on the budget is held. Finally, Assembly debates are held before approving the budget bill. After governmental approval, the Financial Controller of the researched organization advises each unit manager of the Unit's budget allocation and also outlines associated output delivery obligations. If the budget is less than the known cost of the delivery of outputs for an area, the relevant manager provides the Chief Executive with details of the extent and impact

of the problem, together with options of how to overcome the problem and the manager's recommendations. This mode of budget formulation and implementation in the researched organization is different from the private sector.

Budgeting in the researched organization is therefore, designed as a total system of organisational control (Giddens, 1979; 1984) and managers in the department make sense of what each other said and did by drawing on the language of accounting. Managers of each unit provide monthly advice to the Chief Executive about any and all material variances between budgeted and actual revenues and expenses, together with details of action being taken to correct the problem. Evidence from the field observation revealed that the department makes variance analysis which is a part of a monthly reporting activity to the Board of Management. However, in the department there is no practice of inter business unit transfer pricing or corporate cost allocation. Managers of each unit are responsible for containing their net costs within each budget such as operating budget, capital budget, and budgets for individual types of expenses on behalf of the Government.

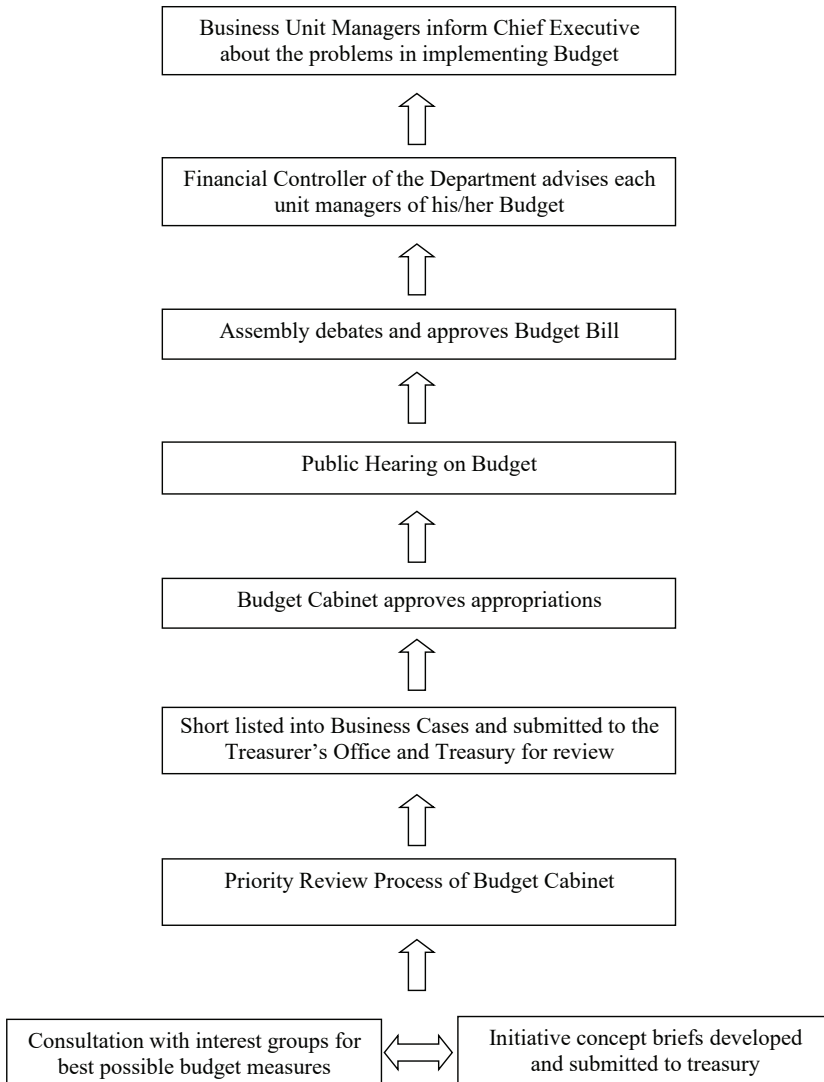


Figure 1: Budget Formulation and Implementation Process in the Researched Organization

In the researched organization it is evident that the budget formulation and implementation process is a bottom-up approach. It has been mentioned earlier that though the process is time consuming and expensive the department is happy to do so. As the department believes that:

The ACT government has given the responsibility to provide, or fund, a wide range of human services to the Canberra community. This responsibility matches the ACT government's commitment to supporting and encouraging people to participate in all aspects of life in the Territory (DHCS, 2007a).

CONCLUSION

The case demonstrates that new public management initiatives in Australia have had a great impact on the researched organization. The empirical evidence described that from time to time, the selected researched organization organized and reorganized its structure and was involved in changing its behavior as well. The researched organization is a new government department but could not avoid the call for Australian public sector reforms. To attain the economic rationality implicit in NPM, the department outlined its values and culture which guided them to strive for the highest possible standards in their work. In light of these reform strategies, the department developed different strategic plans to manage the changes effectively. It is evident that the researched organization adopted new budgeting tools linked to the NPM as well. Some of the tools the researched organization is using now came directly from private sector. Some of these tools are modified, and some of them are their innovations that are unique to the department. The establishment of the rules and regulations alone is not adequate for the successful implementation of budgetary and NPM reforms and should involve a comprehensive view of the nature of the internal and external environment (Goddard and Mkasiwa, 2016). Evidence from the field suggested that the researched organization has adopted private sector tools but are not using them in the same manner as the private sector. The reasons behind this is that public sector organisations are different from those in the private sector on particular dimensions such as diversity in goals and objectives, access to resources, nature of the organisation and the accountability systems.

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