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Contextualizing politicians' uses of accounting information: accounting as reassuring and ammunition machine

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ABSTRACT

There have been increasing calls for studying politicians' use of accounting information, especially adopting a qualitative and contextual perspective. This paper aims at responding to such calls by exploring accounting information use by politicians in the municipal setting, looking at three typical decisions with different levels of political conflict and distinguishing between the policy-formulation and decision-making stages. The results show that, during policy-formulation, information is used mostly as an answer and learning machine. At the decision-making stage, the level of conflict will influence not only the quantity of information used, but also how it is used. Under low political conflict, a reassuring use appears to predominate, whereas under increasingly conflicting situations, the use will shift towards a dialogical form, whereby accounting information becomes the rational language used to (de) legitimize political positions and decisions.

Introduction

The use of accounting information has increasingly become a central issue in public sector literature (Ter Bogt, 2003b; Van Dooren and Van de Walle, 2008) and practice, especially since managerialization movements have given prominence to performance measurement systems, but also highlighted their possible shortcomings (e.g. Lapsley, 1999; Arnaboldi et al., 2015). Interestingly, scholars have focused their attention mainly on the managerial uses of accounting information (Liguori et al., 2012; Kroll, 2014) and, consistently, most attention has been devoted to understand the “purposeful” use of accounting information, i.e. instrumental in supporting better decisions (for example, Moynihan and Pandey, 2010), leaving in the background other uses, including “political” (Moynihan et al., 2012), “legitimizing” (Ansari and Euske, 1987) or “ammunition machine” (Burchell et al., 1980), which may be particularly relevant in the political realm. However, whether, how and under which circumstances politicians actually use accounting information has remained significantly under-researched (Pollitt 2006; Van Helden, 2015).

Recent calls have thus emerged for looking at the actual use of accounting information by politicians, especially adopting a qualitative perspective (Van Helden, 2015), and with a stronger attention to contextualizing accounting information use (Askim, 2007; Demaj and Summermatter, 2012).

This paper aims at contributing to fill these gaps by exploring accounting information use by politicians in the municipal setting. In doing so, different uses of information are highlighted, distinguishing reassuring, ammunition (legitimizing and de-legitimizing), answer and learning uses; which uses are shown to be dependent on the decision situation, in terms of degree of political conflict and stage of the policy cycle.

The paper is structured as follows. The next section discusses the theoretical background; the third section clarifies the research objectives and methods; section 4 presents the results of the empirical analysis. Section 5 discusses the results and section 6 draws some conclusions and identifies further research avenues.

Theoretical framework

Politicians' uses of accounting information

So far few studies have investigated politicians' perspectives on accounting information. Most of these studies have investigated the use of accounting information reported in formal documents and have found that it does not appear to significantly attract politicians' attention, though non-financial performance information seems to be preferred to financial (Ezzamel et al., 2007; Ter Bogt, 2004; Liguori et al., 2012). Moreover, extant empirical analyses have looked more at politicians' perceptions on information importance rather than its actual uses (e.g. Liguori et al. 2012; Van

Helden, 2015), often abstracting the use from the specific context where information is considered (Van Helden, 2015). An attempt to contextualize the concept of use is Askim's (2007) study of Norwegian councillors, which shows that performance information use is higher in some policy areas. This study seems to suggest that there may be value in contextualizing politicians' decisions to better understand their use of accounting information. The section below specifically addresses this issue.

Contextualizing political decisions

There is an established body of contingent research, which emphasizes the role of contexts in influencing accounting systems. For example, Thompson and Tuden (1959), suggest that the degree of reliance on *calculation, expert advice, compromise or inspiration* will depend on two criteria, i.e., the disagreement over organizational objectives, and the uncertainty over cause-effects patterns. Burchell et al. (1980) identify four different roles for accounting, depending on the degree of uncertainty on goals and cause-effect relationships: answer, learning, ammunition (i.e., used to promote particular positions and interests), and rationalization (i.e., used to justify actions) machines. Among public sector studies, the literature has recognized that the use of accounting information is multifaceted (Behn, 2003; Van Dooren et al., 2010). However, most empirical studies on performance information use have adopted a one-dimensional view of use as "purposeful", i.e., as aimed at supporting and improving decision-making (e.g., Moynihan and Pandey, 2010), with other uses, including "political" and "perverse" ones, being acknowledged, but left virtually unexplored (Moynihan et al., 2012). Since public sector organizations deal with divergent interests and ambiguous goals, actors may be expected to use performance information for alternative purposes rather than improving decisions, for example to convince their counterparts within and outside the organization that proposed actions and decisions are reasonable, acceptable and legitimate, or to exercise power or to reassure that routines and the status quo are preserved (Feldman and March, 1981; Hofstede, 1981; Ansari and Euske, 1987).

Only few studies, however, have specifically focused on how the context affects the type of information used and the intensity and diversity of use. According to Hofstede (1981), as ambiguity of goals increases, and measurability, clarity about cause-effect relations, and repetitiveness of activities decrease, organizations will have to move from *cybernetic* types of controls (routine, expert and trial-and-error) to *judgemental, intuitive and political* types of controls. Along the same lines, Noordergraaf and Abma (2003) propose to distinguish the use of performance measurement looking at two dimensions, namely the extent to which issues are known (for example on means-end relations) and the extent to which they are contested.

The above literature is either focused on managers, or does not distinguish between the circumstances of information use by politicians and managers. However, it may very well be that degree of ambiguity/uncertainty of/disagreement on goals may be relevant especially in the politicians' realm,

as they refer to the political and strategic decisions on the needs to be addressed, policies to be adopted and service to be provided. Conversely, measurability of outputs, degree of uncertainty of cause-effect relationships, clarity and repetitiveness of tasks may bear more relevance in the managerial realm, as they pertain to the means to be deployed to implement policies and decisions. This suggests that a starting point for contextualizing political decision-making may be to look at the degree of ambiguity of/disagreement on goals, i.e. the level of conflict over decisions. Moreover, as suggested in previous research, the extent and the type of use of performance information might be contingent upon the course of the policy decision-making process (Ter Bogt, 2004; Askim, 2007; Ter Bogt et al., 2015), whereby different stages might be identified (Lasswell, 1956), including agenda-setting, policy-formulation (identification of alternatives for action), decision-making (the formal decision to take on the policy), implementation and evaluation.

Methods

This paper aims at exploring accounting information use by politicians by looking at how such use may diverge under different circumstances.

Given this aim, and in response to Van Helden's (2015) call to develop more qualitative analyses, a case study approach was adopted (Eisenhardt, 1989). Typical decisions to be taken during the budgetary process in the same municipality were identified and analysed, so as to ensure invariance of other conditions. To do so, an Italian municipality of 13,500 inhabitants was selected, which will be called Marbletown for reasons of anonymity.

The literature reviewed above suggests that contextualizing political decisions may require to take into account on the one hand the different policy stages at which they take place, and on the other the degree of political conflict over goals. Thus, in the analysis two policy stages were identified, i.e. policy-formulation and decision-making. In Italian municipalities "policy-formulation" will take place when the aldermen of the municipal executive board (i.e., the political body with executive role, whose composition is generally an expression of the political majority) draft, discuss among themselves and approve the budget proposals to be submitted to the council. The "decision-making" stage will take place when the council (i.e., the political body with deliberating role, whose composition will include both majority and minority councillors) discusses and approves the budget.

For each of the two policy stages, three decisions were identified, with respectively low (services for people with disabilities), moderate (waste collection) and high (bike path) level of political conflict. The level of political conflict was assessed looking at the level of disagreement of council members on the goals to be achieved and considering the intensity, length and controversy in the discussions related to each issue.

To ensure better comparability across decisions, each decision refers to expenditures that absorb a significant amount (ranging from €390,000 to €1,117,000) of the total expenditures (about

€14,000,000 per year) and that were adopted during the budgeting processes in the years 2014 (bike path) and 2015 (people with disabilities and waste collection service).

The sources for analysing the case were budgetary documents, newspaper articles, council's minutes and interviews with aldermen and councillors. For each decision, the relevant alderman was interviewed for about an hour in order to reconstruct the decision-making process and the role of accounting information in it. The minutes of the municipal council and the municipal documents were downloaded from the website of the town; the articles were retrieved from the Internet or as hard copies from local newspapers. The interviews were carried out in September 2015 (aldermen) and January 2016 (councillors).

The study relies on an ethnographic approach, in that one of the authors was actively involved in the activities of the executive board. Auto-ethnographic approaches present important strengths (Karra and Philipps, 2008) in terms of ease of access, reduced resource requirements and reduced problems with translation. The risk of high involvement of the investigator that could determine a biased interpretation of findings is the first disadvantage of this approach, though this risk is implicit in any type of research, even when the researcher is not directly involved. These risks have been balanced by the strong reliance on triangulation of sources, as well as by the presence of the other authors, who do not have any involvement in the activities of the municipality. The data were analysed through a narrative construction, i.e. writing the stories of the decisions, and a collective interpretation, based on the interaction between the three authors.

Results

Table 1 shows the three types of decisions analysed, distinguishing them according to the levels of political conflict and the policy stage, and presents the politicians' uses of accounting information for each of them. In the next subsections the processes of use of accounting information are described for each type of decision.

Table 1 – Politician's uses of accounting information in three settings with different levels of political conflict and across two policy stages

	Services for people with disabilities: low conflict	Waste collection: moderate conflict	Bike path: high conflict

Policy-formulation stage	Reassuring use of information	Answer and learning machine (Burchell et al. 1980)	Answer and learning machine (Burchell et al. 1980)
Decision-making stage	Reassuring use of information	Ammunition machine (Burchell et al., 1980): use of accounting that provides economic rational arguments to supplement ethical/ideological considerations	Ammunition machine (Burchell et al., 1980): use of accounting that provides economic rational arguments intertwined with emotional and ethical appeals, with involvement of external stakeholders

A decision under low conflict: the services for people with disabilities

In Marbletown, people with disabilities receive either assistance at school or day-care through the Centre for People with Disabilities created in 1990. On average, €390,000 are spent per year for these services; an amount that has virtually remained unchanged over time despite the decline in government transfers.

In the policy-formulation stage of the budgeting process for 2015, first the Social Services Alderman worked with the Social Service manager to prepare the budget proposal. The proposal was developed relying on historical expenditure trends for the last ten years as well as information on the perceived quality of the service measured through user satisfaction survey. Secondly, the proposal was discussed by the municipal executive board. Here, the proposal provided the basis for the Social Services Alderman to reassure the other members of the board that no need emerged for increasing spending for the year to come, and that the quality of the services was satisfactory. As the Budget Alderman highlighted during the board meeting: *“We must cut spending in all areas but never cut the spending on assistance to people with disabilities. It is one of the fundamental choices of our political commitment and the data show that there is no increase in expenditure”*. Thus, at the policy-formulation stage, *routinely prepared* financial information, jointly with a reference to an “incontestable” ethical principle, were sufficient to ensure a smooth approval of the proposal.

In the decision-making stage, as shown by the minutes of councillor’s meetings, the Budget Alderman highlighted that *“This year we confirm the considerable budget allocation for support for disabled people: €390.000”*, and this proposal was approved without opening any *ad hoc* discussion. No changes were required both to the amount of expenditure and to the service arrangements. This confirms the absence of political conflict over the issue, irrespective of political orientation.

Interestingly, in this case the use of financial and non-financial information is minimal, reduced to the amount of data necessary to reassure and be reassured that “business is as usual”. This choice seems

to be institutionalized in the whole council, supported by an explicit ethos appeal during the formulation stage and by an implicit ethos appeal during the council meeting. This is confirmed by the words of an opposition councillor: *“We did not ask for accounting information about services for disabled people because we support it ourselves. It is one of the few right things done by the municipality”*.

A decision under moderate conflict: waste collection

The decision on the management of waste collection services was characterized by a moderate level of political conflict in that agreement on the expected overall outcome (i.e., the increase of the recycling waste rates and a reduction in the tariff) was accompanied by disagreement on fees, in terms of amount and arrangements for collection. Waste collection services cost around €1.117 million in 2015 and €1.31 million in 2014.

At the beginning of the budgetary process for 2015, the Alderman for Environmental Services prepared a proposal (formulation stage) containing data on the costs and results for 2014 (e.g., percentage of recycled waste; savings stemming from recycling, etc.) and the available alternatives and related costs for the provision of services in 2015, including the different choices over the collection of waste fees. She presented alternative solutions for fee collection, proposing to keep entrusting it to the current in-house company (where the municipality is the main shareholder) on the grounds that it was not more expensive and guaranteed better services and transparency on the data collected. The option of outsourcing the service had the same costs (€70,000) with the disadvantage of an indirect instead of a direct control. The municipal board carefully examined the proposal and after four meetings approved those alternatives that seemed not uneconomical and apt to guarantee high quality services. The only revision made to the initial proposal by the municipal executive board was the reduction of the fee (from €5 to €3) that the Alderman for Environmental Services proposed for yard waste collection. The possible choices moved in a range from a lack of service coverage (€0) to the total coverage of the yard waste collection (€12). In this respect, the Alderman for Environmental Services during the interview said: *“I have really appreciated the way the executive board has analysed my proposal. By comparing the costs of each available alternative, we have identified the services that need to be improved and those that can be scaled-down”*. In the decision-making stage, the Alderman illustrated the proposal, sparking a lively debate between the majority and the minority (as suggested by the length of the discussion, documented by the minute, whereby 4,267 words were devoted to debate this issue, as opposed to an average of 1,307 words for all the other issues handled in the same council meeting). Two opposition councillors challenged the decisions to introduce a € 3 fee for yard waste collection and to shrink the number of weekly services. Their arguments were based on an ideological line of reasoning, grounded on ethical considerations: *“You impose a tax on the gardens, is it a crime to have a garden?”* (minority councillor, minutes of the council meeting),

where accounting information did not play a significant role. Minority councillors questioned also the proposal to outsource the collection of fees without a proper bid, and this time the ethical considerations were supplemented by reliance on the use of cost data, seemingly to add an economic rational nuance to the arguments. For example, a minority councillor (from the minutes of the meeting) pointed out “[...]is it possible that the service provided by [name of the in-house company proposed for collecting rates] costs €90,000 of ordinary performance and others €15,000 as depreciation [...]? We are spending more than €120,000 for this service”. Another opposition councillor stated: “I would like to know: before entering another monopoly [from the previous service arrangement to the in house collection of rates] did we do any economic analysis in order to understand if this service is convenient?”. Both financial and non-financial information were used by the Alderman for Environmental Services to promote her own proposal during the council by showing the results of the actions undertaken, in terms of efficiency and effectiveness: “As for the 2015 budget, the cost of waste services will be €1,117,576 compared to a cost of €1,310,585 for 2014. [...] as a result of the choices we made that have produced an increase of recycling waste - from 73% in 2013 to 76.9% in 2014”. The choice to sell the differentiated portion of waste as raw materials has resulted in a higher level of recycling and lower tariffs. However, the municipal executive board’s proposal was approved without modifications. All the councillors of the majority and one of the minority expressed a favourable vote.

A decision under high conflict: the bike path

The 2-kilometer and €1-million-worth bike path was a decision that absorbed significant time and efforts during the budgeting process in Marbletown, as low agreement existed about whether and how to build it. The majority had committed to sustainable transports, as made evident in their electoral program: ““Sweet” mobility will be favoured, giving priority to the extension, the safety and the connection of the network of cycle paths by developing a real plan of cycling”. The opposition prioritized other means of transport (e.g. cars), claiming that citizens in their daily life use them more extensively. At the formulation stage, the Public Works Alderman defined with his staff a proposal based on both financial (e.g. cost per meter of the construction of the bike path) and non-financial (average number of cyclists riding in the main streets) information. This reflects what was declared by the Alderman for Public Works in the municipal news bulletin: “The first thing to do is to start from real data: in June 2013 we built the first census of cycling [...]”. The executive board embraced this proposal as the potential usefulness of the bike path was proven by the number of active cyclists and pedestrians, whereas financial sustainability was assessed comparing the expected costs per meter of path with the costs reported for similar initiatives in other municipalities.

In the decision-making stage, the divergent point of views of the majority and the minority triggered a lively debate, which even reached out to the citizens, as the two political sides tried to build external consensus around their opposite visions. Within the council, the minority councillors defined the bike path as a “non-priority” and questioned the available alternatives for financing the work (e.g. the taxes collected by allowing the construction of a shopping centre). The choice has been debated especially outside the city council, while instead inside it had little importance: from the minutes emerge only 1,513 words dedicated to the bike path. Outside the council, the debate inflamed. *“The cost of the renovation of the street is crazy, over €1,000,000; resources that should be spent to satisfy other needs in the town and to create jobs for the unemployed of Marbletown”* said one minority councillor in a public meeting. Anonymous leaflets were posted on the pines paralleling the street where the bike path was being proposed, reading: *“For a work of little value you are killing fifty plants that are part of the history of Marbletown. We will chain ourselves to the pines”*. Thus, the minority used a combination of cost-related, i.e., economic rational considerations, emotional levers and ethical arguments to appeal to the different sensitivities of citizens. *“Starting from the assumption that we opposed the whole project, we focused on those data that attract the attention of citizens most, i.e., the total cost”* (opposition councilor, interview). On the municipal bulletin, the Public Works Alderman highlighted that the pines would be replaced by hornbeams, described as more suited to the climate of Marbletown, and explained that the damage created by the roots of pine trees required over €15,000 per year in street maintenance. The Mayor and the Alderman also recalled, in two public meetings (April, 2014) and in a public political debate (May 8th, 2014), that the bike path serves the weakest people, such as children and the elderly, while the municipal bulletin informed people that the bike path would also imply the renovation of the street lighting, with savings of over 70% on electricity consumption. In the end, the Alderman's proposal was approved without modification thanks to the votes in favour of the entire majority. All the opposition councillors voted against.

Discussion

This study is one among the first attempts at contextualizing politicians' use of accounting information. The findings appear to confirm that the type of use will be affected by the specific contingencies when it takes place, and more specifically by the policy stage and the level of conflict over decisions.

When the *political conflict over decisions is low*, as in the typical case where an expenditure item in the budget must be routinely confirmed, the use of accounting information by politicians tends to be predominantly reassuring, aimed at confirming that a certain service and the related expenditures do not need discarding or revision, but simply can be kept “as usual”. This type of decision is probably the most typical one in the local government realm, where, once a number of services are agreed and decided upon, both in their political desirability and operational features, they end up becoming taken

for granted routines (Hofstede, 1981). Thus, the use of financial and non-financial information is minimal, reduced to the production of those data that are necessary to reassure political bodies that there are no exceptions to the normal course of things. Interestingly, in this case the distinction between the formulation and the decision-making stages of the policy cycle appears to bear less relevance, as in both stages, the routine nature of the decision appears to require a similar approach to the use of information.

When the *political conflict over decisions becomes moderate*, the quantity and diversity of information used appear to increase, while the types of uses tend to be different at the formulation and decision-making stages. The analysis shows that both financial and non-financial information were intensely used to reach the final decision, with two different purposes. On the one hand, accounting information was used in the formulation stage as an answer and learning machine (Burchell et al., 1980), providing the basis for evaluating the different available options in the light of agreement on goals within the executive board. On the other hand, this same information was the common platform used in the decision-making stage by the two political sides to support their own position and challenge the opposite one. Accounting information (such as costs, efficiency and effectiveness indicators), thus, represented an ammunition machine (Burchell et al., 1980) through which different political positions were justified or challenged.

Finally, when the *level of political conflict is high*, the quantity and diversity of information becomes even more significant, and such information appears to be also used outside the institutional decision-making settings to attract the public's attention so as to increase the citizens' pressure around the decision. However, again, in the formulation stage the information is rather used as an answer and learning machine, i.e., to allow comparison and evaluation of alternatives to achieve the goal shared by all the members of the executive board. Conversely, at the decision-making stage, accounting information played a central role in the majority-opposition dialogue, providing the grounds for legitimizing one's position and de-legitimizing the opponents' arguments. However, the debate was dragged outside the institutional places where the budgetary process took place and accounting information also appeared to be used by the two parties to appeal to positive or negative citizens' emotions and ethical values, thus potentially and indirectly impacting on the level of political consensus. This suggests that accounting information represents one of the "ammunitions" available to politicians, i.e., the "economic/rational" pillar of a wider discourse, where also ethical and emotional arguments will be used to (de) legitimize decisions.

Conclusions and implications

This paper responds to the calls for studying politicians' use of accounting information by providing a twofold contribution. First, it shows that, in contextualizing politicians' use of accounting information, a fruitful approach may be to refer to the level of political conflict over decisions and to

the stage of the policy cycle. Second, it suggests that the increase in the level of conflict will affect the quantity of information used, but also the types of uses. More specifically, under low political conflict, a reassuring use appears to predominate both the formulation and the decision-making stages. Under increasingly conflicting situations, the policy-formulation stage will witness a predominant use of accounting as answer and learning machine, whereas the decision-making stage will feature accounting as an ammunition machine, used to support or counter positions in the political arena by grounding them on economic rational considerations. Interestingly, when the political conflict escalates, arguments based on accounting information will become increasingly intertwined with ethical and emotional rhetorical arguments.

This suggests a few practical implications. At the decision-making stage, when decisions are of a routine nature, and are characterized by the absence of juxtaposition of interests, politicians, both aldermen and councillors, incentives to actively use information appear to be limited. This could happen to the detriment of the services provided, that may not be put under serious scrutiny, thus missing a chance of improvement. This shows that the provision of information is not sufficient per se to bring attention to quality, quantity or costs of services, but that incentives to such use, in terms of processes and procedures, or juxtaposition of interests, must be in place to avoid its reassuring use. At the same time, the latter may respond to the need to avoid excessive conflict, and to discuss again issues that were already settled in the past, reducing the complexities of decision-making (Wildavsky, 1964). This suggests that, for those services where conflict is low, the right balance should be ensured between attracting the attention on key indicators, for example in comparative terms, while not asking politicians to re-discuss priorities at any budgeting cycle.

When political conflict escalates, the members of the executive board appear to devote greater attention to accounting information, using it in the formulation of policies. However, when at the decision-making stage majority and opposition players enter the political game, accounting shifts its role from calculation machine to become a part of an arsenal of ammunitions to defend or attack a decision. In this respect, the reliability of data and the different privileges of access to data (from majority to opposition) may play a major role in affecting how power is distributed (Hardy, 1996) and how the decision-making process unfolds, and also in deciding “who wins”. For example, oppositions may bring the debate outside the official meetings, and leverage ethical or emotional arguments to reinstate a balance of power in the decision-making process, especially if accounting information is produced by and at the main benefit of the majority. The “impartiality” of information and “equal” access to internal information become crucial. This may increase the transparency of the process and also underpin a clearly “open” discussion in which the intent to attain short-term support for one’s position is abandoned at the benefit of a search for long-term service improvements. This may recall Habermas’ view of the “ideal speech” and communicative rationality, whereby the definition of ends to achieve should result from systematic ‘discourses’ between different positions (see Broadbent and Laughlin, 2009). The downside of this model is that the decision-making process may be lengthened

and that it may remain an “ideal” if incentives to reduce opportunism are not put in place. At the same time, it seems likely that decisions taken by politicians are led not only by economic rationality but also by political rationality (Wildavsky, 1966; Ter Bogt, 2003b), and thus one of the future challenges for accounting scholars may be to look at the interactions of these two rationalities with ethical and emotional considerations (Green, 2004).

The analysis highlights the need to “unpack” the politicians’ use of accounting information taking into consideration that politicians may play different roles and have different degrees of power in the various stages of the policy cycle. The results provide preliminary evidence that it may be fruitful to recognize the existence of a continuum of uses between the managerial/administrative sphere (where calculation and “purposeful” use may play a major role) at one hand, and the political (where reassuring and ammunition machine uses may predominate) at the other, with policy-formulation being at the boundaries between them.

As any piece of research, also this paper presents limitations. The results are exploratory in nature and may reflect the specific country, type and size of government where the analysis was performed as well as the subjective interpretations of the authors. Also, the case study is a small Italian municipality, characterized by an electoral system with a strong majority premium that leads to unitary lists. In executive boards based on a coalition of parties, more compromises may be needed to reach an agreement¹. However, these limitations as well as the findings appear to suggest a number of further fruitful research avenues. First, this study may be carried out in other contexts (including other countries, sizes and types of governments). Second, other types of decisions may be observed, adopting a finer grained view of conflicting situations or combining the selection criteria we used with additional ones (e.g., current vs capital expenditures, ethically charged issues, measurability of outcomes, dispersion or concentration of power among politicians and managers and within political bodies).

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