

# MANAGEMENT CONTROL SYSTEM IN PUBLIC ADMINISTRATION: BEYOND RATIONAL MYTHS

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## **Abstract:**

The implementation of management control devices in the public sector is a very difficult challenge, especially if these devices come from private sector. Through two case studies, this paper analyses how two public organizations have implemented management control systems. We point out that both public organizations studied have developed a complex set of practices around their management control systems. Despite some apparent failures, the implemented systems are not merely myths about the running of public organizations, but instead produced some unanticipated effects.

## **Key words:**

# Introduction

Since the seventies, public organizations have developed management control systems. Historically, these systems have been invented for private organizations (Levant, De La Villarmois, 2001). The rise of these accounting information systems can be dated to the beginning of the nineteenth century. Private organizations developed management control system devices to measure their performance. But, in public organizations, these systems have a different role. Historically, the semantics of the term “accountability” (Mulgan, 2000) insisted on one essential aspect of the public management device: compliance with legal rules. Gradually, a new objective has been added to the control of regularity: to assess the effectiveness of the public management. However, traditional devices of public management have important limits which can prevent this goal. Demeestère (2002, 42-44) underlines the lack of information in public accounting and the imperfections of the budgetary system. Thus, public organizations need to create new tools to manage their activities or use traditional tools in a new way. Consequently, the process of instrumentation becomes an increasingly pressing need in public organizations. This movement, observed in many French public organizations (regional councils, hospitals, police, etc.), indicates important management changes in these organizations but also the difficulties of implanting management control systems in this context.

Even if the need to use management control systems in the private sector appeared a long time ago (in France, the Planning Programming Budgeting System dates from the seventies), it is today an important program for public organizations. Indeed, these systems can address such questions as: is the quality of the public service sufficient? Are the financial resources well used? Are the users of public services satisfied? Is the price of the service right? Thus, most of the reforms aim to increase the performance of the public organizations. New Public Management is the term for reforms undertaken by the public organizations since the eighties.

However, despite the number of reforms adopted in the name of New Public Management, numerous authors also noted the relative failure of these reforms. To explain the difficulties related to the use of management control systems in public organizations, our research uses the theoretical framework proposed by neo-institutional theory. More precisely, in analysing two case studies carried out in French public organizations (Police and ADEME), our research addresses the questions: How can we assess the effects of management control devices used by the public organizations? Put a different way: we ask whether the management control systems are only ineffective myths about public organizations, or if they may have unforeseen effects.

In the first part of this paper, we develop the theoretical approach. After the presentation of the principles and the stakes of New Public Management, the neo-institutional framework is developed to explain the relative failure of the public reforms. In the second part, we describe the methodology used for the two case studies. The third part presents the two case studies. The first case study describes the management tools used in the French National Police. The second case study analyses the process of creation of a management control system device in local communities. In the fourth part, the question of research is discussed. It seems difficult to label the management control systems device used by public organizations as only a rational myth.

# 1 Rise and fall of NPM: explanation from theory

New Public Management makes it possible to describe evolutions of public service but does not propose a framework of analysis. Also, to understand the role of the management control system in public organizations, the neo-institutional theory is mobilized.

## 1.1 The New Public Management: a way to modernize the public management?

New Public Management is a topic which aroused debate in the nineties. This theme is still an important object of reflections, especially in the international community. Many debates exist between the defenders of this approach, for whom the NPM symbolize the return of the public utility, and the opponents who only note the failures of these reforms.

### 1.1.1 The NPM principles

New Public Management finds its origin in the neo-liberal ideas of the seventies. The expression became established only in the nineties to indicate a set of similar reforms concerning public organizations (Merrien, 1999). The external characteristics of public organizations and their recent evolutions led the organizations to set up many reforms. Which characteristics can we ascribe to New Public Management? In a general way, NPM describes a phenomenon that ranges from managerialism (Hood, 1991; Pollitt, 1993) to the full package of government reforms introduced since 1980 (OECD, 1995). Aucoin (1995) suggested that the NPM is a necessary reform because public management is overly preoccupied with rules and procedures. In his work on public management, Crozier (1997) characterizes NPM as starting from three elements:

- a process of automation of the organization opposite public authority
- a process of reconciliation of its users: It is a question of reducing the gap between the State and the citizen. Thus, public organizations must develop instruments to identify and meet the new needs for the users of public services.
- a process of transformation of the organization: changes of structure and of culture must be carried out. New contacts must appear between policy, the legal framework, citizens and the manager of public organizations.

In most of these definitions, the concept of public performance appears. To Terry (1998) New Public Management is a global movement reflecting elements of both liberation management and market-driven management. The liberation management school characterizes professional public managers caught in bad systems. They are “overburdened by a plethora of cumbersome and unnecessary rules, regulations and other constraints” (Terry, 1998) such as budgeting, personnel, and procurement systems which should be decentralized. Liberated managers would be held accountable to the democratic process by what they achieve in their respective policy areas. Hence the necessary control is exercised through outcome measures rather than through input constraints. Merriem (1999) insists on this last point. He gives to NPM an essential characteristic: to reinforce the efficiency of public organizations activities. Glor (2001, 124-125) defines NPM in public organizations by the presence of three elements: introduction of private management devices, creation of market and creation of measurements of performance. In the same way, NPM management changes include three elements (Loeffler, 1997):

- *Private sector management approaches* were introduced in Canada, using concepts such as excellence, downsizing, re-engineering, corporate culture, total quality, value for money, results, use of incentives, performance measurement, customer service and profit. Production and service standards were adopted by some government agencies. The

balanced scorecard, developed in the private sector to take account of more than the financial bottom line, received attention (Kaplan and Norton, 1992).

- Market-type mechanisms were used. The federal government introduced internal markets, where departments sold services to each other. User fees were increased for services such as passports, parks and vehicle licences. Agencies were put on full cost recovery, such as printing shops and the employee assistance programme. SOAs created mini-enterprises and employee take-over of federal enterprises was encouraged.
- Performance measurement and incentives became predominant after the introduction of business planning. Description of programmes and finances by department was replaced with results-focused business plans, performance frameworks and reports on plans.

### **NPM and public performance**

This rapid analysis of the definitions given to NPM indicates the importance of the management control system in the development of these reforms. Finally, NPM becomes a way to optimize the operation of public organizations without infringing on the public utility. This strategy of modernization is different from strategies of privatization currently observed within the French public organizations. Thus, NPM seeks to transform bureaucratic organizations into entrepreneurial organizations by introducing management control system devices. Public organizations will thus set up systems of control of the performance of their activities. The transparency of the public organizations is necessary: it makes it possible to support the effectiveness and the efficiency of their activities. In NPM, transparency is based on the results, measurements of these results and the reporting (Audria, 2004). The control of performance holds a central place in these reforms. Its objective is essential in the modernization of the administration: the control and the monitoring of French administration activities. Consequently, this approach brings to mind public action in terms of effectiveness and efficiency: the control of public organizations is directed towards the results. Thus, in many French and foreign administrations, the reforms are largely inspired by management control devices used in private organizations (for example, quality circles, search for excellence, zero defect). In Great Britain, the first wave of reform had aimed to develop management by objectives, to set remuneration in advance according to performance and, finally, to set up a new budgetary technique for the total budget (Merrien, 1999).

OECD (2003) defined improving performance (and especially improving cost effectiveness) and redefining the role of the public sector in the economy as the primary thrusts of reform initiatives. For Aucoin (1995) NPM changes in public policy were a new paradigm of public management that included “privatization” of public enterprises, increased contracting, expansion of user charges and expenditure restraint, including reducing the size of public service and public payroll. For OECD (2003), the reforms following NPM did not only have the objective of increasing the efficiency of public actions. It is indeed important to note that these reforms involved changing a serious perspective on the reflection on public administration. Thus, even if the results of NPM are contrasted, it is necessary to be aware of renewals precipitated by these reforms. The objective is not to change in record time but to manage and to modify the behaviour of public organizations for, in the future, enriching the public culture of these organizations by managing public performance.

### **The NPM limits**

This period of reform involved changing a serious and long-held perspective on administration. The authorities opened their minds to new ideas on management. However, have these reforms achieved their goals? As we will show, the results are moderate. It would seem that improvement of the efficiency of public organizations is desirable, but that it does

not guarantee the modernization of public administrations (OECD, 2003). Three critical points are formulated to the NPM reforms (Saint-Germain, 2001):

- It is possible to note that NPM is not easily applicable to the whole of the administration sectors. In the services where the process rests on human relations, the difficulties are major. Pollitt (1995) underlines the difficulty of defining performance when there are many such interactions. Moreover, the multiplication of interactions can be an important factor in the interpretation of the indicators.
- We should not underestimate the motivation of the actors of the public organization. Actors have problems determining their missions and objectives, so management control systems could not be used optimally.
- Lastly, development of external services is likely to generate the development of organizations based on their interests, thus forgetting the reasons for their existence and the needs of the users. They recreate what they fight: personal interest (Monks, 1998). The system of management control systems can split the administrative units, disuniting them from each other, and preventing a global vision of the State act (Urio, 1998).

Authors developed strong criticisms of the reforms of New Public Management. Merrien (1999) views NPM as a myth. He tries to illustrate his remarks by proposing some examples of “failures” of these reforms: the research of efficiency had perverse effects that were not anticipated (like the loss of expertise in public organizations). Moreover, the countries that launched these reforms are not really satisfied with them. For example, after ten years of reforms in Great Britain (1979-1986) the services of the State are not more effective.

## **1.2 NPM as a myth: a new institutional sociology approach**

To better understand the relative failure of NPM, new institutional sociology, notably developed by DiMaggio and Powell (1983) and Meyer and Rowan (1977), could be used. Management control systems (MCS) can be conceived as a rational myth. In use, roles of MCS can be decoupled from displayed roles. MCS devices are not be used only to increase efficiency of organizations but also to legitimate their actions. Such interpretation implies that we do not assess the success or failure of MCS devices only in terms of efficiency.

### **The new institutional sociology approach**

The new institutional sociology (NIS) approach analyses organizations as organized systems running within social structures including norms, value and taken-for-granted hypotheses. Institutions define what we have to consider as a rational behaviour. To define institutions, we can borrow Scott’s definition (1995): “Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers — cultures, structures and routines — and they operate at multiple levels of jurisdiction.”

The agents’ rationality is not dependent only on either an economic calculus based on available information or on an adaptive behaviour. It is not only because of its economic rationality that a decision is made. Alternative inputs for decision making, social information, are taken into account to justify decisions. We will analyse these “new” inputs, keeping in mind that they are not exclusively economic inputs.

Finally, we could argue that NIS is interested in organizational conformity. According to Scott (1995): “organizations ... conform [to institutional pressures for change] because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities.” This theoretical framework can be used in different ways. NIS theories are thus used to explain ritualistic behaviours.

## **Rational myths and ritualistic behaviours: the necessity to conform**

Institutions play a great role in the understanding of legitimacy of practices but also in the explanation of some apparent discrepancies. According to Meyer and Rowan (1977), organizations run in an institutional context, which gives them their legitimacy and probability of surviving if organizations conform. Products, services, techniques, politics and programs are strong myths that organizations adopt in ceremonial ways to show to others that they conform to outside institutions. However, this conformity can be irrelevant to the organization's own efficiency. Indeed, there is no reason to think that institution conformity fits with higher efficiency. In some cases, institution conformity can also divert resources.

According to Meyer and Rowan, companies use their formal structures to solve the dilemma of ceremonial activities and efficiency. Formal structures of companies reflect the myths of their institutional environment. Companies use formal structures to control and coordinate their activities. But very often, these formal structures are not really in place to increase efficiency. Formal structures are very interesting in their role of sending messages to external environments to legitimate their actions. They give appearance of rationality. This legitimacy has different origins: public opinion, education, social prestige, law, etc.

Numerous parts of the formal structure of companies are rational myths. These myths are responses in terms of legitimacy to a set of environmental demands. This implies that management devices are not necessarily used for their own qualities, which can allow better management. Sometimes they are symbols of good management practices and legitimate the practices of companies. These myths are rational because they give the appearance of strong rationality and can be used as a justification of companies' existence. Agents justify their practices in terms of efficiency improvements through myths, but their actual role is more symbolic. Symbolic roles are more important than functional roles. Economic rationality is only superficial.

Relating to our research, one question can be asked: are MCS devices rational myths? The answers to this question could explain the apparent lack of success of NPM and allow us to go further.

## **Methodology**

Two case studies are used to illustrate how management and accounting control systems operate in French administration. They give us the opportunity to better understand problems raised by MCS in such a public context and the conditions for using this management device.

Data on the police case study have been gathered during the preparation and administration of training in MCS for police managers. This training allowed us to meet most of the responsible parties in police administration in charge of the implementation of management control. A lot of managers were also met during the training. This allows us to discuss their feelings, their fear, or their hopes for this new change. Some time was passed in a police station to understand in more depth the problems encountered by policemen and policewomen. Finally, very important and public documentation was gathered on the activity and performance of the police. These sources were produced by social scientists, journalists, and politicians (especially Sénat's debates). A data triangulation was made, and interpretations issued from the field study were discussed with police managers to validate or invalidate our conclusions. These interactions allowed us to reduce researcher subjectivity.

In the case of the environment and control of the Energy Agency (ADEME), various techniques of research were used to understand the role of the actors in the construction of a

management control system. The following remarks describe the four principal stages of the research project by analyzing the participation of the researcher.

- During the first stage of the project, the researcher tries to understand the context of the management of the organizations (ADEME, APCED and local communities). For each one, data are collected on various aspects in order to operate a triangulation of the information (meetings, talks, Internet sites, plates of presentation, etc.).
- The second stage made it possible to analyze the **management of the activities of the waste service of the local communities in Poitou-Charentes and Aquitaine areas**. This diagnosis is carried out via a questionnaire addressed to 233 structures managing waste. If the statistical studies describe the situation of management of the waste service, they especially confirm the interest the project holds for the local communities. This investigation is supplemented by a technical feasibility study: carried out in collaboration with a local community, this study defines the contours of the management control.
- **To carry out the audit of the local communities**, a study of the management control device used and needed for the management of waste services is carried out by the intermediary: on the one hand, individual talks are carried out in six communities (directors, technical and financial persons, accountants, and elected officials) and, on the other hand, collective meetings were held to gather the affected communities. On the whole, this stage represents 10 hours of collective meetings and 30 hours of individual talks.
- To improve the management control device, this last stage of the project results in a **series of experiments carried out in five local communities of the Poitou-Charentes area** whose follow-up is carried out via collective meetings.

## Two case studies

We will now describe our two case studies in accordance with three dimensions: the context of the study, the reforms carried out, and the consequences of the use of new management control systems.

### 1.3 Implementation of a performance measurement system in the police

We will first present the general design of the reform and we will show how it can impact management activities. Finally, we will rapidly present its implication for the police.

#### A new reform in a long history

The police are a branch of the French public administration. This branch has had to develop or to reinforce a management control system for four years. This development takes place in a long series of previous reforms that aimed to implement such a system. In 1960s, French administration tried to implement RCB (rationalisation des choix budgétaires), a French version of the American PPBS. Experiments, based on voluntary involvement, were stopped during the 1980s despite few successes (Malo). An MBO (management by objectives) was implemented, but without great success. A new trial has taken place in a context of national reform of public accountability: the Lolf for “budget reform and State modernization” since 2001. Police are subject to the Lolf Reform. To implement the Lolf, the police investigated the use of BOP (the new budgetary principles), cost calculations, indicators and scorecards (balanced if possible).

This duty was reinforced by the presence of Nicolas Sarkozy, a new minister in office from May 2002 to March 2004, who was “actively” engaged in the modernization of the French public administration. In April 2002, the French poll for choosing the new French

President has seen the strong rise of extreme right party. Its high score could be explained by the feeling of insecurity among citizens. The new majority called for a strong Minister for the Police to reassure the French citizens. As soon as he became minister, Nicolas Sarkozy launched a process of public “revitalization” for the action of the Police. His aim was to show that government takes into account the desires of the French citizens. When he arrived at this ministry, one of his first actions was to promote a systematic evaluation of his subordinates in terms of efficacy. This new mode of management legitimized the “result culture” in the police. This has been reinforced by an offensive political discourse justifying Lolf (budgetary constraints, references to the private sector, fear of privatization, defence of public service through the display of its performance, etc.)

In order to develop management control systems (MCS), different stratagems have been used.

- A private consultancy firm has been hired to manage a vast training program.
- Despite permanent comparison with private sector, actors would also like to affirm their specificity. This desire to be different has had an impact on the building of MCS devices. Actors preferred to build their own devices even if they reinvented already known devices. In some cases, they appropriated some words (like Activity-Based Costing, or ABC) to explain the design of their cost system, even if it was not ABC.
- Finally, the last stratagem used has been the fear of privatization and the defence of public service.

### **A global reform of the French administration**

On August 2001, the French parliament enacted a new law on the way to elaborate the governmental budget, which was named “Lolf.” This new law is important due to the decision which leads to its promulgation. A quasi-consensus was formed, for the first time, by the two chambers of the French parliament, to change the way of spending public money. Lolf has to be used for the 2006 budget, but a blueprint has been already realized in the 2005 budget. The aim of Lolf is officially to introduce a “result culture” instead of a mean culture in the French administration to improve how public money is spent. Besides controlling spending, Lolf introduced a control on the opportunities for this spending and the results obtained for citizens. It affects several aspects of the functioning of public administration. Financial accounting and budgetary accounting are modified, but we only focus on the second item. Lolf changed the way that the budget of the government is voted for. Budgets will no longer be voted for by nature of spending, but rather according to the missions of the public administration; i.e., according to the final purpose of public spending. Lolf wants to avoid a systematic extension of the previous budget without passing judgement on the results of the previous budget. This is why this new way of voting is supposedly applicable to the first euro.

A framework has been elaborated to implement this new law. Instead of chapters (currently 850 chapters) used to allocate the budget, missions of the government are now broken down into “missions – programs – actions – sub actions”. About 40 missions, 150 ministerial programs and 500 actions exist. Within a program, the budget can be redistributed by managers according to their priorities. This globalization is essentially limited to human resource expenses. An ordinary expense cannot be transformed to a wage, due to the impossibility to go back to the previous situation. The budget will be allocated to programs through BOP (budget de programme or budget of program). BOP promoters proposed to elaborate budget forecasting by taking into account different levels of action. But they also proposed to keep expenses in chapters. The final result is, then, a matrix of forecasting. To justify their expenses, ministries should produce a PAP (projet annuel de performance or annual performance project) indicating the results they want to achieve. This PAP should be quantified, due to indicators. Symmetrically, each year, ministries should produce a RAP



(rapport annuel de performance or annual performance report) to justify the use of budget. This RAP should prove that budget has been used in a better way that provides valuable services to citizens. Finally, ministries should be able to figure out costs for each “missions – programs – actions” set. So to succeed, ministries have to develop a cost accounting system. Lolf is finally a new way to elaborate a budget, a systematization of management by objectives (MBO) and the use of cost calculations techniques.

But alongside this change, promoters of the Lolf hope for a change in the management of public administration itself. By cascading the framework in all the public offices, promoters would like to modify ways how decisions are made and resources used. In each program, several BOPs could be managed simultaneously and coordinated by the responsible parties of a program. Each intermediate responsible party could build his BOP by taking into account the objectives of the program. Agents are invited to analyse their performance according three types of objectives:

- Socio-economic efficacy
- Service quality level
- Resources efficiency achievement

Agents are invited to complete strategic objectives with intermediary objectives (means used and level of activity) and complementary objectives, to take local challenge into account. This reform is particularly interesting for studying the attempt to implement a new MBO in public management.

### **From assessment device to learning device**

Several explanations could account for the previous lack of success. First, one could wonder if it is possible to develop a management control system in a public administration. According to Ouchi's (1979) analysis, clarity of objectives and knowledge of cause-effect relationships seem to be insufficient to make correct use of indicators in the public sector. A recent example in a public report of the Parliament gives a good picture of the problem. Police and military police recently proposed the same indicator to measure road safety: the percent of people with higher blood alcohol content than is allowed by law. But they proposed two different readings of the results. According to the police, if this percent increases, that means their performance increases because it shows their ability to find dangerous people. But according military police, the meaning is exactly reversed because this is a sign of inability to make the roads more secure. So, implementing management control asks for defining precisely the conventions behind figures. Second, previous reforms failed because of the lack of incentives to reach objectives. There is a conflict between HR politics and performance recognition. Third, management of political staff is not compatible with the search for too-precise performance measures. Political men and women prefer discretionary choices. Finally, the management principles in the administration and the current structure don't facilitate use of performance indicators because each good result would be captured by central administration, especially if this performance saves money. Despite failures that have not been studied in depth before the launch of the actual change, a new reform has been developed. Paradoxically, if this reform doesn't bring anything new in the assessment of performance, it changes behaviours of police staff all the same. Despite wrong or imprecise figures, a professionalization of the police staff has occurred.

Since his arrival, Nicolas Sarkozy decided to call up the departmental managers of public security to explain their performance. He has chosen a very simple indicator to select the managers to call up: the number of law offences recorded by the police each month. To be more precise, he decided to call up the five most important increases and the five most important decreases compared to the same month of the previous year. This is derived from the “Compstat,” which is a performance recording method first developed in New York to

reduce crime. This method has not been used yet in France. This new management device tries to provide the police with a clear aim: “Restore the street to citizens.”

The indicator chosen is very controversial because of its lack of significance. It indicates the activity of the police rather than their performance. In fact, this indicator is higher when police are in the street doing their job or when it improves police offices’ facilitation of addressing the public’s complaints. As ironically suggested by the police, the best way to decrease this figure should be to suppress the police. But, of course, because you don’t see delinquency doesn’t mean that it doesn’t exist. This figure doesn’t measure delinquency, but it is very easy for the public to understand. The minister could report on it even if this measure is unfair for recording police activity. The minister knew this fact and used this figure with more precaution internally than externally. He publicly celebrates the fact that the figures dropped under the symbolic figure of 4 million (but the figure was approximately 3,900,000) in 2003. But when you know that this recording of facts is especially subjective and that the “grey zone,” which is delinquency not known to police but known through victim enquiries, is about 11 million, you realize the irrelevance of the measure. It’s very interesting to notice how the ministry changed over time its way of managing around this indicator internally. At the end of the period, heads of department could be held accountable for “bad figures” but could receive congratulations for the way they monitor their activity. Or, conversely, heads of departments could be praised for “good results” but could be unable to explain the figures. But the police staff is now more concerned about the necessity of justifying their performance, to choose priority missions or to imagine new ways of operation. As a policewoman told us: “I was quite reluctant to develop such devices. The figures I use are still wrong or imprecise but I have to acknowledge they give me a new and interesting picture with which to manage missions differently.” However, this does not have an immediate effect on the final indicators.

## 1.4 The Agency and the local communities

After understanding the context of the case study, we describe the reform and we try to understand the consequences of the management control systems for the role of actors in public organizations.

### Cost of the waste service: a public project

The ADEME is a public organization created in 1992. The purpose of the agency is defined in its statutes: **Act against air pollution, limit and value waste, prevent pollution of grounds; realize energy savings and develop renewable energies, act against noise pollution** (Law no. 90-1130 of December 19, 1990, item 1st). The creation of this establishment answers to the will of the authorities to take up an essential challenge for the 21st century: An economic and technological development that is respectful of the environment. To take up this challenge, the agency is structured around 26 regional delegations. 700 collaborators develop the three competencies dedicated to this organization: expertise and the council, the creation of new knowledge, and its diffusion.

One of the special axes of development of the agency is related to the management of waste activities. The financial management of waste is registered like a major objective: *“To facilitate the outlets of recycling and thus reduce the invoice ‘waste’ of the taxpayers/users, [the ADEME] researches the reduction of the costs at all the stages.”* This will is due to the difficulties encountered by local communities in the implementation of processes of management able to provide reliable information on the activities of the waste service. During 1990, *“the modernization of the management of waste generates an important and ignored trend of costs”* (Begnaud, 2000). This situation is problematic today for the local

communities. Indeed, *“the consolidation of this modernization rests on the improvement of the capacities of the communities to manage this service. To achieve this goal, the local communities must develop a management cost accounting”* (Begnaud, 2000). Thus, the future development of the waste service of the local communities is founded on the consolidation of their capacities of management. In front of this situation, and in accordance with its missions, the agency brings a solution to the local communities with a new project: to establish a management control system. The purpose of this project is to modernize the waste services, while controlling the costs related to their evolutions. The agency defines its objectives precisely: *“to create a method of management costs for the waste services starting from the charts of accounts M 4, M 14.”*

In synthesis, the agency want to **parameterize and introduce a management control system into the local communities** to create an internal dynamic (F. Busson-Villa, 2000) and to allow the adaptation of the public utility to the recent needs of the sector (R. Demeestere, 2002, 57-58) and, on the other hand, to contribute to the development of its missions while trying to ascertain and compare the cost of the waste service.

### How to introduce a management control systems?

The analysis of the project makes it possible to analyze specifics of the construction of a management control system in public organizations.

At the beginning, the management control system is not created and the network of organizations is not yet made up. However, in spite of the absence of the organizations, the actors present at the beginning of the process reveal their position. The discussions indicate the influence of the members of the agency: they wish to develop a costs device to control the local communities. During these debates, the role of the organization is perceptible. The representations of the management control systems depend on the organisational context in which the actors evolve. For example, the organisational difficulties perceived by the members of the ADEME justify their engagement and the objectives of the management control device: *“the ADEME has difficulties with the costs of waste. The objective is to develop a cost which makes it possible to distribute homogeneous results.”* So, the management control system considered is related only to their representations.

Gradually, the management control systems changes. From an idea, it arrives to a first concretization: **a cost management control system.**

Table 1 – Waste elimination cost matrix (first edition)

	Support Services			Principal services		
	Communication	Repair services	Control service	Waste reception centre	Rubbish	Sorting center
Direct charges						
Indirect charges						
Total						
Total						

The members of the agency influence the process and its contents:

- they decide the community in which the feasibility study is undertaken and introduce a trainee in the creation of the management control device;
- however, confrontations with the actors of the communities are very few, and finally the management control system is built according to the interests of the members of the agency.

However, the creation of this management control system does not generate direct consequences for the local community leading into the study. It takes part in the construction of the management control system, but does not know the organisational repercussions. Indeed, the agency decides not to use this management control device in the local community. Thus, in spite of the creation of the management control systems and the participation of the local community in the project, the project is still unchanged. The result of this phase is the influence of the members of the agency on the process of construction: they decide the community to test and decide the form of the management control system. This result is explained by a still strong centralization of the project and by a lack of exchanges with the various actors of the communities.

### **The management control systems: a link between organization and their actors**

From a traditional cost management control device, it moves towards an ABC device. How can one explain this evolution? In the first time, this evolution can be perceived as a technical response. Indeed, with the first developments of the management control device, the members of the ADEME encounter technical difficulties (for example, how to distribute the amount of the indirect charges in the various principal services). In order to address these difficulties but also to preserve a true vision of the service activities, they decide to transform the management control systems. Concretely, the distinction between direct and indirect charges is erased and the concept of activity replaces the concept of service (Lebas 1991). This reflection leads to identification of the activities constituting the waste service (Mevellec 1992). Moreover, the cost is defined by activity, but also, by the type of waste. The second time, this change is carried out at the same time as the decision to create a network around the project. This proximity with the local communities is concretized by the creation and the animation of a network of organizations. By integrating more and more communities and their members, the agency encourages the members of the communities to actively begin the project: *“The objective would be to create areas of exchange and to look further into realities of management of the communities.”* At this stage, a “project team” is created. It takes the form of a network of organizations in which various actors can swap. However, these actors insist on developing a management control systems that generate the monitoring of the service. Thus, these new representations will operate on the management control system, but also on the representations of the agency actors. Gradually, common representations emerge and the members of the project team agree on the ABC device (table no. 2). The requests of the communities make the project evolve, and these organizations take part in the transformation of the management control systems.

**Table 2 – Waste elimination cost matrix (second edition)**

		Individual waste	Bio-waste	Professional waste	etc.	Total
<i>Expenses</i>	Collect					
	Transport					
	Treatment					
	Stock					
	Etc.					
<i>Receipts</i>	Product sales					
	Energy sales					
	Subsidy					
	Other receipts					
	Etc.					
<b>Cost</b>						

At the end of the construction process, the project team changes. It restricts itself to the actors of the agency and technical persons in charge for the waste service. This new structure creates a new space for discussion. The various actors of the project try to act on the creation of the procedures. The conventions used at this stage reveal the learning necessary to the construction of management control systems. The objective is to determine consensus. Moreover, during this stage, the organization of the local communities changes in order to utilize the management control systems. Indeed, the communities will create their structure by creating meetings between various services or by developing new procedures on which the management control device can be based. These observations confirm the influence of the management control system on the organization of the local communities.

Finally, the growing influence of the actors of the communities reveals the connection linking the organization and the management control system: the experiments have consequences for the management control systems, but also for the organizations.

## Discussion

In both cases, management control implementation asks serious questions. By answering these questions, we can better understand the functioning of these systems. For example, one of these questions is the possibility of implementing MCS in public sector: *“Perhaps the most fundamental question is whether private sector notions of performance measurement and accountability are applicable in the public sector”* (Ittner and Larker, 1998, 233). It seems that too much emphasis has been put on performance assessment, to the detriment of any other functions or roles of management control as learning, consensus-setting or changing devices as underlined by Modell (2004, 45-46). Performance in the public sector is very ambiguous and difficult to assess. Too many stakeholders are involved. But by promoting dialogue (and sometimes by closing this dialogue), MCS may help to discuss performance and activities that never would have been questioned otherwise.

It is clear enough that implementation upsets organizations, because it reconfigures power networks inside organizations. Management control systems are not only ceremonial devices used to legitimate public actions, but they also allow management of performance in unexpected ways, and change ways of doing activity. A de-coupling takes place between displayed functions and the latent functions of these devices and forces reassessment of the performance criteria for such devices.

- Displayed functions refer to the desire to assess performance to legitimize public activity. But as this measure is often impossible, a rhetorical discourse takes place where MCS

seems to function as a myth. Since MCS is not an answer machine, it becomes a rationalization machine (Burchell et al., 1980).

- Latent functions could not be expressed clearly because they change the power of stakeholders. MCS is thus used as a way to display constraints, outcomes and discretion behaviours. MCS is an ammunition machine or a learning machine (Burchell et al., 1980).

It clearly appears in both cases that management control systems are used by managers to display their will to take efficiency concerns into account. This display seems to be prevalent despite some actors who use these devices to promote their own career through their high-legitimacy activity. Some people even claim that their job consists of “managing figures,” thus indicating they want to convince others of their performance rather than to improve situations. All these performance measurements sometimes seem to be far from the real activity of actors, and they thus can be analysed as rational myths. But could we really only link management control devices developed by public organizations to rational myth? The answer is not clear when we closely examine our case studies. In part, it seems that new systems implemented run as rational myths justifying an organization’s existence rather than improving their efficiency. But this explanation does not suffice.

Management control devices can be used as a rational myth, especially for reassuring outside partners. They allow managers to communicate to the stakeholders about public activities. For the police, they show citizens that security is under control. Some actors use these devices to communicate better. Thus, Minister Sarkozy has largely publicized his will to implement a result culture. For ADEME, creation of a new management control system allows it to have relevant figures on waste management.

But management control devices can be reduced to this first use. They also can be mobilized internally to allow public organizations to improve their efficiency. It influences organization members to rethink their activity. In the police case, performance improvement seems to have been a side effect of the rational myth. However, the durability of this performance is not certain. Despite the difficulties encountered in implementation, some actors appreciate a system that allows a better understanding of complex activity. Thus, these devices also have a colonisation effect (Power, 1997). The result of management control device implementation in the police could be different than what was forecasted. Once a device used to measure performance, it is now a tool to change organizational culture. The interesting point is that the same design of the system has a different result than was forecasted. Criteria for its success should be revised. In ADEME case, local communities use the devices in an unpredictable manner. Managers adapt it to their own needs with the aim to better monitor activities. Despite that this device is still in progress, it could be interesting to study how it is used.

Thus, despite clearly ceremonial dimensions, systems seem run and have effects on the way activities are run. They are not only a ceremonial myth. We also see that these systems have to be adapted to public activity. Their influence is not negligible even if they don’t fit with what was expected. This makes assessment of implementation difficult. Problems addressed by management control devices move from assessment of performance to management of change. Systems seem to run as a de-coupled system (Fernandez-Revuelta and Robson, 1999):

- Organizations display a way of doing which doesn’t fit with actual practices in use after reform. This communicated practice is clearly a ceremonial one for searching for more legitimacy. This legitimacy fits with the legitimacy used to implement management control devices. Thus, management control devices are imposed through legitimacy, but they also produce legitimacy.
- Internally, actors use devices in a way previously unforeseen. Management tools do not disappear even if they do not reach displayed aims. They define new ways of action and

thus break routines. Side effects appear from these new ways of action and take the place of previous, older side effects.

This analysis seems to explain the failure observed during the implementation of private sector management control devices in the public sector. Management control has to be adapted to the context of these organizations. A decoupling between displayed and latent functions appears and creates specificities for management public devices.

## Conclusion

Assessment of management control devices in public organizations is a very difficult task. We have to sort out the ceremonial impact of these tools from their real effects, predictable results from unforeseen results, and results already obtained in the private sector from those obtained in the public sector after adaptation of these tools.

As our both case studies show us, the implementation is sustained by a process of legitimacy that uses the full scope of isomorphism. The results obtained are partially ceremonial and partially real, but with unpredictable effects. A sort of decoupling can be observed. So, we cannot conclude that management control systems are not well used by public organizations. It seems the public organizations have to create and use management control systems to answer to the complexity of their environment. These devices will be used by many actors in public organizations (officials, technicians, financial personnel, etc.). This research does not explain the question of the content of the management control systems. We understand that the aim of the management control devices used by private organizations is different in public organizations because of the level of general interest. However, we can discuss the form of management control systems in public organizations. Instead of using the management control system created by private organizations, should public organizations invent their own management control systems?

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