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Constraining and facilitating management control in times of austerity

Case studies in four municipal departments

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Abstract

Purpose – The purpose of this paper is to examine how management control (MC) within governmental departments is used in times of austerity, and how insights from agency and stewardship theory can enhance the understanding of this issue.

Design/methodology/approach – The authors distinguish two types of MC (constraining and facilitating) based on their different assumptions regarding human behavior (agent-like and steward-like). The authors empirically analyze changes in the use of these types of MC in four cases located in two municipalities. The collected data consists of 51 semi-structured interviews, desk research and multiple field observations.

Findings – The authors find that MC at the departmental level becomes more constraining in times of austerity. The authors suggest that an overemphasis on constraining MC has negative consequences. It can, for instance, evoke agent-like, opportunistic behavior while it disregards potential steward-like behavior. These negative consequences are less prevalent when there is a simultaneous increase in emphasis on the use of facilitating MC elements.

Originality/value – The authors acknowledge “human ambivalence,” i.e. an employee’s recurring choice between agent-like and steward-like behavior, and illustrate the dangers of overly relying on constraining types of MC. The authors also contemplate alternative strategic managerial responses to austerity in a public sector context.

Keywords NPM, Austerity, Stewardship, Management control, Constraining, Facilitating

Paper type Research paper

Introduction

Since the financial crisis surfaced in 2008, many governments have taken austerity measures in order to bring their expenses closer to their revenues (Gordon Murray *et al.*, 2012). For European countries such as Germany, Italy, the UK and the Netherlands, these measures included the sharpest spending cuts since Second World War (Borooah, 2014). To sketch the size of austerity in the Dutch public sector: the central government initiated several programs from 2010 onwards, to cut its spending by 51 billion euro[1], on a total budget of 258 billion euro (in 2013). Many of these austerity measures especially affected local governments, because the Dutch central government started to decentralize various tasks, after the budgets for these tasks had been cut considerably. This means that municipalities were required to provide these new tasks with less funding than previously available for these tasks. In addition, the municipalities also had to realize their own spending cuts. Little is known yet about the effects of austerity measures on the management control (MC) in the organizations affected. An exception is a recent paper by Johansson and Siverbo (2014), who stated that budgetary challenges may have urged governments to amplify and refocus their budget control

activities. However, although such austerity measures may initially improve the financial position of organizations, they can endanger the achievement of their goals, because the types of MC associated with these measures can be less effective in the longer term. In our paper, we particularly focus on the use of MC in four departments within two Dutch local governments that were confronted with fierce austerity measures: in “Bluetown” and “Greentown” these cuts amounted up to, respectively, 8 and 10 percent of their annual budgets. We aim to address the question how MC within governmental departments is used in times of austerity, and how insights from agency and stewardship theory can enhance the understanding of this issue.

Within the literature, two approaches toward the use of MC can be distinguished, which have different underlying assumptions with respect to human behavior. The first one assumes that employees are opportunistic and self-serving agents, whereas the second views employees as trustworthy, collective-serving stewards. In addition, the MC literature identifies two different roles for MC elements: first, they are aimed at constraining the subordinates by monitoring and incentivizing them, so that they will act in line with the organization’s goals (Jensen and Meckling, 1976) and second, they are focussed on fostering autonomy and facilitating the subordinates in better serving their organization (Davis *et al.*, 1997). Mainly selecting MC elements that constrain behavior is in accordance with the assumption that employees have a tendency to act as opportunistic agents. The use of facilitating MC elements is more in line with the stewardship view of human behavior, which assumes that employees have a tendency to act as a steward. Previous research starting from the assumption that organizational members have a choice in deciding to behave either as agents or as stewards, i.e. “human ambivalence,” is scarce (Segal and Lehrer, 2012). Although there are several studies that simultaneously investigated different roles of accounting in different contexts (e.g. Hopwood, 1987; Humphrey, 1994), they primarily focussed on accounting or financial management initiatives. Our study, however, complements this literature by paying attention to MC elements – which can also involve MC elements that are not necessarily related to accounting or financial management – and their different underlying assumptions regarding human behavior. In this paper, we recognize the connectivity between notions of agency and stewardship theory and examine in which circumstances one such set of tendencies dominates the other, in order to enhance our understanding of constraining and facilitating MC in times of austerity.

When faced with major budget cutbacks, organizations are likely – at least initially – to be more inclined toward using constraining MC elements, such as tighter budget control (Johansson and Siverbo, 2014) or stricter performance auditing practices (Power, 1996). These constraining MC elements are particularly aimed at effectively monitoring and incentivizing the civil servants. Several authors have studied the pressures that budgetary stress can exert on public sector organizations over the last few decades, in particular since the rise of the new public management (NPM) movement (for an overview of this research we refer to Broadbent and Guthrie, 2008; Humphrey and Miller, 2012). Accounting scholars critically followed (changes in) public sector MC, and often connected practices such as “managerialism” and “accountable management” with general movements in society toward economic rationalism, neo-liberalism and agency theory (see Broadbent and Guthrie, 1992; Gruening, 2001; Humphrey *et al.*, 1993). Although practitioners who introduced such practices typically did not refer to, for example, neo-liberalism or agency theory, it seems fair to state that the ideas sketched in these theories can be recognized in practice. Furthermore, although some of these ideas and theories were occasionally heavily criticized (Fogarty *et al.*, 2009), they may still

play an important role. The recent period of austerity even seems to reinforce ideas about budgetary restrictions and constraining MC elements that go back to NPM (see e.g. Johansson and Siverbo, 2014; Lodge and Hood, 2012). However, we also stress the difference between the short-term orientation of most austerity measures to yield financial stability vis-à-vis the long-term orientation of the “traditional NPM agenda” to make the public sector more “businesslike,” effective and service-oriented.

We argue that an overemphasis on constraining MC elements (e.g. an increased use of performance auditing) and a de-emphasis of facilitating MC elements (e.g. cuts in training budgets or less space for self-management) can evoke undesired side effects. Some of these effects identified by prior literature are resistance (Humphrey, 1994), less motivated employees (Frey and Jegen, 2001) or less effective control (Davis *et al.*, 1997). We scrutinized these issues in our case studies, drawing on a period of extensive fieldwork, including 51 interviews, desk research and multiple field observations. We found that the municipal departments studied tended to emphasize some of the constraining MC elements in times of austerity. Facilitating MC elements, however, were in some circumstances emphasized and in others de-emphasized, which yielded different effects among the departments studied.

Our paper has two main contributions: First it illustrates the dangers of relying predominantly on constraining MC elements or presuming a pre-dominance of agency-like thinking, and Second it contemplates alternative strategic managerial responses to austerity in a public sector context.

In the next section, we review the literature on public sector MC and its links with austerity, as well as with constraining and facilitating MC. In addition, we explore the effects of under- or overemphasizing one of the MC types. In the section that follows, we describe our method choices. After that, we present the findings per case. Subsequently, we discuss and compare these findings, deliberate on their differences and similarities, and convey our conclusions.

Literature review

Austerity and public sector MC

The recent “era of austerity” seems to reinforce some NPM ideas about MC. However, there are also notable differences between the effects of austerity and NPM on MC. During the past decades, major attention has been paid to making MC in governmental organizations more businesslike and results-oriented. This “traditional” NPM movement was fueled by periods of financial distress, criticism from society and calls for improved service quality and efficiency in the public sector (Hood, 1995; Pollitt and Bouckaert, 2011). The required changes were to be achieved by, among other things, the increased use of monitoring and incentivizing MC elements. Examples of such MC elements are performance auditing (Leeuw, 1996), performance reporting (Bracci and Llewellyn, 2012) and pay-for-performance (Frey *et al.*, 2013). Although their implementation has been criticized over the past decades by a wide selection of academics (Broadbent and Guthrie, 1992; Humphrey and Miller, 2012), Gruening (2001, p. 2) indicated that these types of MC elements fit NPM’s “undisputed characteristics.” NPM, with its desire to make the public sector more “economically rational” and businesslike, can be argued to be mainly rooted in public choice theory, modern institutional economics, and ideas about managerialism and scientific management (Gruening, 2001).

Different from the “broader” NPM agenda, accounting and MC changes seem in times of austerity to have only one, straightforward aim: reducing government debts and budget deficits (cf. Lodge and Hood, 2012). To illustrate this, austerity measures

may explicitly imply a reduction of the service levels (see e.g. Pollitt, 2010), whereas the NPM “ideology” particularly focusses on maintaining or “improving service quality,” albeit with more efficient and businesslike processes (Pollitt and Bouckaert, 2011, p. 7). Although NPM practices vary among countries, NPM’s focus on reducing budget deficits has been much less prominent in comparison to the recent austerity measures, at least in the Netherlands (Kickert, 2012; Van Helden and Jansen, 2003). The reason for this strong financial focus is that the recent austerity measures in the Netherlands, as well as in other countries in the “euro area,” were directly related to the financial crisis, which started in 2008. The financial crisis caused, for example, that the government budget deficit in the Netherlands exceeded the 3 percent that was allowed under the Stability and Growth Pact agreed by the euro countries in the European Union (cf. Lane, 2012). For that reason, subsequent austerity measures emphasized budget cuts and related measures that yielded visible financial effects in the short term. In the Netherlands, the austerity measures taken after 2008 implied severe budget cuts at the levels of both the central and local government (Kickert, 2012). So, although there may be overlapping issues, we stress that the current focus on austerity differs from earlier NPM-related initiatives, because the former is primarily focussed on fierce, often short-term, financial measures, whereas the latter incorporates a “broader” agenda generally aimed at making the public sector more businesslike and improving its service quality.

Regarding changes in public sector MC, Cristofoli *et al.* (2010, p. 368) argued that it was “overly simplistic” to reform the public sector by introducing businesslike MC elements without taking the specific public sector context into account. They contended that researchers and practitioners should view MC changes in a broader perspective and consider MC elements as a package[2]. Some prior studies have also employed a more “integrated” approach by looking at the interrelatedness among different accounting techniques, “accountable management,” financial management and the reactions of those involved (Broadbent and Guthrie, 1992; Van Helden, 1998). Humphrey (1994), for instance, sought to explain why reactions to accounting reforms may differ across different organizational contexts (see also Hopwood, 1983). The approach in our paper is different because we also incorporate other, non-accounting, types of MC, such as norms and values, training and organizational culture. In doing so, we also follow the suggestion by Van der Stede (2011) to not only focus on “technical” accounting instruments but also on “softer” types of MC, thereby adhering to the idea that MC consists of a “package” of different types of MC elements (Abernethy and Chua, 1996; Malmi and Brown, 2008).

Dual roles of MC

MC elements can be categorized in many different ways. One often-used categorization is based on the distinction between diagnostic, interactive, belief and boundary systems (Simons, 1995). It relies on an appreciation of the opposing forces required in managing the tensions “between freedom and constraint, between empowerment and accountability, between top-down direction and bottom-up creativity, between experimentation and efficiency” (Simons, 1995, p. 4). These tensions are managed by what Simons (1995) calls “positive” and “negative” controls. And as Tessier and Otley (2012, p. 174) indicate: “The notion of positive/negative controls can be linked to a more general concept labeled the dual role of controls which is gaining importance in the literature” (see e.g. Ahrens and Chapman, 2004; Mundy, 2010). In a recent paper on MC in the public sector, Verbeeten and Speklé (2014) also refer to this dual role, which they describe as “decision-facilitating” and “decision-influencing.” “The decision-influencing

role refers to the use of information for motivating and controlling managers and employees (“incentive-oriented use”), while the decision-facilitating role refers to the provision of information to guide decisions and managerial action” (cf. van Veen-Dirks, 2010). For the purpose of this paper it is important to emphasize that our distinction between constraining and facilitating MC elements relates to this strand in the literature on dual roles of control. Our distinction, however, concentrates on how these roles are connected to the views of human behavior as held by the managers in public organizations. In that respect, our paper is more in line with Simons’ (1995) distinction between positive and negative controls, a distinction still almost unexplored in accounting research, as pointed out by Tessier and Otley (2012).

In the next two subsections we discuss constraining and facilitating MC elements in more detail. The constraining type of MC elements is in line with a view of human behavior embedded in mainstream economic MC literature, which takes the opportunistic and self-serving agent for granted (Jensen and Meckling, 1976). The facilitating type of MC elements is in line with stewardship theory, which typically advocates a different perspective, governed by the assumption of collective-serving, trustworthy steward-like behavior on the part of employees (Hernandez, 2012). After the two subsections, we discuss the choice between agent-like and steward-like behaviors, and we elaborate on the effects and risks of under- or overemphasizing facilitating or constraining MC elements.

Constraining MC elements

Traditionally, agency theorists have assumed that human behavior is based on opportunism, rationalism, effort-aversion and self-interest (Jensen and Meckling, 1976). People were expected to behave as a *homo economicus* or, in agency terms, as an “agent.” The origins of this view of human behavior at least date back to Epicurus and his followers in ancient Greece, who argued that all human efforts are aimed at minimizing pain and maximizing pleasure. Jeremy Bentham (reissued in 1988) combined the Epicurean “pain” and “pleasure” perspectives in the term “utility,” and argued that people should act in such a way that the total utility of everyone involved increased most. The associated “calculative behavior” was picked up in the “ethics of selfishness,” which advocates that a person should not be concerned with maximizing everyone’s utility, but only his or her own utility (Rand and Branden, 1998). The view of human behavior used in agency theory is rooted in this line of thought: agents are considered to be maximizers of their own “utility” (Jensen and Meckling, 1976). This view of human behavior has greatly influenced public choice theory, which – together with, for example, agency theory and transaction cost theory – has provided the theoretical basis for neo-liberalism and NPM (Gruening, 2001).

From the assumptions regarding the agent’s self-interested behavior, the so-called “agency problem” ensues: the organization’s owner (the principal) and its manager (the agent) are considered to have diverging interests. The principal wants to maximize the organization’s utility, whereas the agent is merely focussed on maximizing his or her own utility. According to agency theory, this conflict of interests between the principal and the agent can be solved by using MC elements that constrain the agent’s self-interested behavior, i.e. by monitoring the agent’s activities and by incentivizing him or her to operate in line with the organization’s goals (Jensen and Meckling, 1976). We call these types of MC “constraining MC elements.”

Some examples of constraining MC elements are “processes of auditing, control, regulation, assessment, inspection and evaluation” (Diefenbach, 2009, p. 899). Increases

in the use of such MC elements in the public sector have often been fueled by a desire of politicians to cut expenditures (cf. Humphrey, 1994), and a “need for transparency,” as expressed in literature about the “audit explosion” (Power, 1994).

Facilitating MC elements

Stewardship theory proposes a very different view of human behavior than agency theory, as far as motivational aspects are concerned. Stewardship theory sees people as so-called “self-actualizing individuals,” commonly referred to as a “stewards.” Stewards are characterized as “collectivist, pro-organizational, and trustworthy” (Davis *et al.*, 1997, p. 20), which is why there is no conflict of interests between the steward and the principal or organization (Tosi *et al.*, 2003). Therefore, stewardship theory argues that employees should be “facilitated” in conducting their tasks to the best of their ability and be provided with the proper resources to do so.

Stewardship theory originated in the fields of psychology and sociology, and was introduced about two and a half decade ago as an alternative to agency theory. As indicated, it does not specifically consider people as calculating agents; its assumptions about human behavior are more socially oriented (Hernandez, 2012). As Hernandez (2012, pp. 177-178) explains: “In contrast to agency theorists, who have proposed a model of governance that constrains employee behavior through the rules and regulations imposed by the organization, stewardship theorists have put forth a model of governance that promotes the ability of employees to contribute to strategic objectives and to make decisions.” In studies in the field of management, this theory – with its more “positive” view of human behavior – is employed to explain the serving behavior of subordinates in organizations, i.e. behavior that is not self-interested (e.g. Segal and Lehrer, 2012).

The MC elements that are proposed by stewardship theory can be characterized as facilitating. Davis *et al.* (1997) mention that, if subordinates are stewards, “empowering governance structures and mechanisms are appropriate. Thus, a steward’s autonomy should be deliberately extended to maximize the benefits of a steward, because he or she can be trusted.” (Davis *et al.*, 1997, p. 25). Typical examples of facilitating MC elements are participative budgeting (Davis *et al.*, 1997; Libby, 1999) and cultural values, such as a shared work ethos (Hernandez, 2008). Training and education may in some instances also be used to facilitate[3] subordinates to better fulfill their tasks (Merchant and Van der Stede, 2007).

Human ambivalence and under- and overemphasized types of MC

It has already been argued that neither agency nor stewardship theory can in isolation offer a full understanding of managerial behavior (Martynov, 2009). Furthermore, most introductory textbooks on management accounting present similar arguments, claiming that one single view cannot comprehensively describe human behavior, and that choosing a particular approach over another one always involves a trade-off between predictive ability and complexity (e.g. Zimmerman, 2000). However, in the extant literature it is still sometimes stated that subordinates are one or the other: either an agent or a steward. Rather than rejecting one of these two views of human behavior, we want to use them both to construct an understanding of MC that can accommodate these divergent points of view. We argue that employees may act steward-like in one situation, and agent-like in another, and this may be explained by both personal and situational characteristics (Davis *et al.*, 1997). Because acting like a steward or like an agent can be an everyday choice, it cannot be claimed that subordinates are agents or are stewards (Tosi *et al.*, 2003). This idea was recently articulated by Martynov (2009), who also

distinguished agent- and steward-like behaviors. By recognizing both agent- and steward-like behaviors, we acknowledge human ambivalence (see also Segal and Lehrer, 2012). If superiors only use (or overemphasize) facilitating MC elements, they overlook the possibility that the subordinate may also act agent-like, and vice-versa. Segal and Lehrer (2012) therefore stress that – because self-interested or even corrupt behavior can never be ruled out – organizations should not exclusively rely on facilitating MC elements. They argue that also other controls should be implemented to protect organizations from opportunistic temptations: these are what we call “constraining MC elements.” So, Segal and Lehrer (2012) explicitly recommend using these controls in addition to the facilitating (stewardship-informed) controls. However, if these two types of MC elements are not used in addition to each other, or if one of those types is overemphasized, this may lead to risks and effects that can harm the organization and the attainment of its goals. We will now discuss such risks and effects.

Although constraining MC elements may prove to be effective in some situations, an overemphasis on them may have severe consequences. We will discuss two consequences as identified by prior MC research which – implicitly and explicitly – pay attention to the role of the assumptions regarding human behavior that underlie the MC elements used. First, prior research has found that a strong emphasis on constraining MC elements (which assumes extrinsic motivation) may “crowd-out” subordinates’ intrinsic motivation (see Deci *et al.*, 1999; and for an overview of applications in the accounting literature see Kunz and Pfaff, 2002). This process, which is called the “crowding-out effect,” occurs when the use of constraining MC elements (assuming extrinsic motivation) replaces intrinsic motivation by a lesser amount of extrinsic motivation. Ergo, the total work motivation decreases. So, control can be counterproductive when it neglects and undermines the intrinsic motivation of employees (Davis *et al.*, 1997).

Second, overly relying on constraining MC elements may foster the subordinates’ opportunistic and egoistic side, which is sometimes called the “performative effect” of MC (Vosselman, 2012). The performative effect refers to the principle of a self-fulfilling prophecy: employees tend – to some extent – to start behaving in the way the supervisor expects. For instance, a manager’s emphasis on short-term results may evoke a short-term orientation of subordinates and lead to dysfunctional behaviors (cf. Van der Stede, 2000). And similarly, merely assuming that subordinates are egoistic and opportunistic may eventually evoke egoistic and opportunistic behavior. So, assumptions with respect to human behavior that underlie constraining MC elements may result in a self-fulfilling prophecy. Humphrey and Miller (2012, p. 308) applied this idea to public sector management: “ideas and instruments of phenomena such as NPM are likely to transform the actors, actions and entities they target,” while Vosselman and Van der Meer-Kooistra (2009) stated in this respect that an overemphasis on control can have “negative consequences in terms of an increased proclivity to behave opportunistically” (Vosselman and Van der Meer-Kooistra, 2009, p. 278).

There are also risks involved in an overemphasis on facilitating MC elements and an underemphasis of constraining MC elements. If an organization overemphasizes facilitating MC elements and underemphasizes constraining ones, it makes itself extremely vulnerable to various forms of misconduct or abuse on the part of its employees. Davis *et al.* (1997) describe this situation as the “fox-in-the-henhouse.” It implies that subordinates may (eventually) take advantage of the trust and autonomy provided by their superiors via the facilitating MC elements, and (ab) use this situation for their own benefit. This can be harmful to the organization and the attainment of its goals.

However, an underemphasis of facilitating MC also bears risks. A drop in autonomy or cuts in the educational budgets can have detrimental effects. Jick and Murray (1982), for instance, claim that such austerity measures can have severe effects on the morale of the work force and lead to cynicism, job dissatisfaction and less innovative behavior.

So, we acknowledge the connectivity between notions of agency and stewardship theory and examine how constraining and facilitating MC elements are used in times of austerity in different settings. The extent to which constraining and facilitating MC elements are present may differ per situation, and be contingent upon the view of human behavior that a supervisor employs toward his or her subordinates, but it may also depend on other factors, such as task characteristics (Ouchi, 1979; Speklé and Verbeeten, 2014). Research that studies MC elements and their underlying assumptions in different contexts is scarce, and in the current study we aim to fill this gap. The austerity context offers a unique setting for our study since austerity is likely to lead to a shift in emphasis on constraining MC elements. We conducted a multiple embedded case study to explore how MC is used in times of austerity in different settings, which has enabled us to develop the theory further (Scapens, 2004). The following section presents our research method.

Research methods

Selection of the cases

In our study we scrutinized four departmental level cases embedded in two municipalities in a time of austerity. In this way, we could enhance our understanding of the use of constraining and facilitating MC elements in different case settings (following Humphrey and Scapens, 1996). Since the nature of our study was explorative, we designed our case research in such a way that there were similarities as well as differences among the characteristics of the cases. However, we did not know “up front” which characteristics would affect the relative uses of constraining and facilitating MC elements. Because prior literature often identified “task characteristics” as an important antecedent for variation in MC (see overviews by Luft and Shields, 2003), we also relied on this item in selecting our cases. We particularly paid attention to task contractibility (cf. Speklé and Verbeeten, 2014)[4], i.e. task clarity, concreteness and measurability. In an attempt to capture different types of situations, we examined in each municipality one department with a relatively low task contractibility (the “policy” department, see cases 1 and 3) and one with a relatively high task contractibility (the “operational” department, see cases 2 and 4). We selected these case departments in consultation with the financial controllers of both municipalities using these criteria (see also Table I).

Data collection

The data used in this study were collected over the period September 2013 to June 2014[5]. We applied three different methods of data collection to inform our research: semi-structured interviews, observations and desk research (Flick, 2009). Before starting our data collection, we engaged in meetings with two financial controllers from both municipalities, who functioned as our initial contacts. Thereafter, we had one or two meetings with the head of each department. In these non-recorded meetings, we introduced the research, arranged practicalities and received access to the four cases. To increase the overall reliability of the collected data, we designed a detailed protocol before we entered the field. This included procedures for conducting interviews, making observations, writing field notes and transcribing the interviews (Flick, 2009).

Table I.
Overview
departmental
characteristics

Municipality Department	Greentown		Bluetown	
	Case 1 Spatial Policy	Case 2 Public Administration	Case 3 Social Development	Case 4 Buildings and Installations
Type of tasks Activities	Policy development Policy development on issues such as public transport, living and energy	Operational Front office for citizens, issues official documents, registers life events and handles phone calls	Policy development Policy development on issues such as sports, culture, youth and healthcare	Operational Plan and conduct maintenance of public buildings, infrastructure and water pump stations
Contractibility	Low	High	Low	High
Number of employees	48 (40 fte)	60 (45 fte)	37 (32 fte)	44 (38 fte)
Average level of education	High	Low	High	Low/medium

We conducted interviews with 51 civil servants and politicians who were employed in, or had a supervisory position in relation to the four case study departments. In order to further increase our understanding of the MC elements used, we also needed to include an internal client in our selection (in case 4) and two human resource (HR) advisors who functioned as coaches (in cases 3 and 4)[6]. To mitigate potential biases, the interviewees selected were representative of the people working within the departments in terms of age, work experience and gender (following Miles *et al.*, 2014, p. 33). The interviewees in supervising positions, the advisors and the internal client were added to this initial selection (see Appendix 1) to complement the views and perspectives of the departmental staff (cf. Tessier and Otley, 2012, who claimed that supervisors and subordinates may have different, complementary perceptions of MC). The interview questions were developed based on the literature introduced in the previous sections of the paper, following Horton *et al.* (2004). Our semi-structured interviews contained several topics, which were addressed in five sections of related questions (see Appendix 2). In this study we will particularly focus on those MC elements that in each of the four cases had been changed as a result of the austerity measures, although during the interviews we discussed a broader range of MC elements employed in the case departments (e.g. also MC elements that had not necessarily been changed). The changed MC elements were not limited to “technical” accounting instruments only: following Van der Stede (2011), also other MC elements to facilitate or constrain employees were considered, such as coaching, training, and organizational norms and values.

In addition to the interviews, we attended 18 official departmental meetings, and were able to make informal observations for a total of 56 days, equally distributed over the four cases. We made observations during departmental meetings, meetings of teams within a department, as well as day-to-day work practices. A detailed diary was kept and field notes were written down separately (following Flick, 2009). Some of these observations allowed us to obtain informal reactions of employees to the (proposed) austerity-driven changes, for instance during coffee breaks. Here the employees did not feel limited by a “formal” interview setting. In addition, we also consulted a broad variety of documents (e.g. strategy and policy documents, procedures, minutes; see Appendix 3) to enrich our understanding of practices at the individual, departmental and organizational levels. We consulted these documents to interpret, complement and triangulate our findings from other sources.

Data analysis and identification of the variables

In total, 51 interviews were held, resulting in over 60 hours of recorded interview data. All interviews were literally transcribed and imported in Atlas.TI software to analyze the qualitative data. Identification of the variables of interest took place as follows. We reviewed the constraining and facilitating types of MC per department, specifically focussing on the interviewees' reflections on the MC elements discussed during section four of the interviews. In Atlas.TI it is possible to view multiple interviews simultaneously, which allowed us to search for patterns in the data for each case and thus to conduct "data source triangulation" (Miles *et al.*, 2014, p. 299), which was facilitated by the interviews' semi-structured nature. Where possible, we triangulated our findings with the documents and our impressions and field notes.

Because our data were mainly of a qualitative nature, we cannot speak of a quantitative and precise "measurement" of the variables. Instead, we "identified" and obtained a qualitative picture of our variables of interest, following the structure of our literature review. We used "descriptive coding" to construct a detailed inventory of the links between the austerity measures, changes in MC and their effects in the four cases, following Miles *et al.* (2014, p. 74). We analyzed and coded all sections in the interviews where the interviewees addressed topics such as "budget cuts," "economization" and "austerity measures." We considered MC elements facilitating when the interviewees classified or described them using Dutch equivalents of words like "supporting," "helping" and "facilitating." A use of descriptors such as "binding," "we are forced to," "strict" and "curbing" suggested that the MC elements could be considered "constraining." Furthermore, when interviewees spoke about an MC element in terms of descriptors such as "more," "emphasized," "newly introduced," "increased" and "stricter," and if these labels were validated in other interviews and data, we considered this result as an increased emphasis on this type of MC. And the other way around, when interviewees referred to a particular MC element as "decreased," "neglected," "underemphasized" or just "less," we considered this element as "de-emphasized" (in Table II, we denoted all these changes). Furthermore, in order to obtain a good understanding of the austerity measures in place, how they related to shifts in the use of MC elements and what their effects were, we reviewed per department all coded sections and triangulated them with the other available information (field observations, notes and documents).

While looking for matching patterns in the data, we wrote detailed summaries of each case, which are presented in the findings section. We organized these summaries using the three themes that we identified in the literature review (austerity, constraining and facilitating MC and the possible effects of changes in emphasis), following Miles *et al.* (2014). By organizing our findings in this way, we aimed to enhance the understanding of (changes in) MC in a period of austerity. We used the structured case summaries to analyze cross-case patterns (following Eisenhardt, 1989), which have been included in the discussion and conclusions section.

Findings

The setting of the cases

The departments researched were: Spatial Policy (SP) in Greentown and Social Development (SD) in Bluetown (both "policy" departments), and Public Administration (PA) in Greentown and Buildings and Installations (BI) in Bluetown (both "operational" departments), see Table I. Bluetown and Greentown were both medium-sized municipalities within the Netherlands with, respectively, 130,000 and 200,000

Table II.
Description of the
variability
of the findings

	Greentown			Bluetown	
	Case 1 Spatial Policy	Case 2 Public Administration	Case 3 Social Development	Case 4 Buildings and Installations	
Constraining MC elements	Increases Advisors' output in terms of timeliness of advices was stressed Compliance with deadlines was stressed Activities of employees had to be reported in timesheets	Employees' output, such as number and types of clients served, used to assess performance Output played a larger role in appraisal interviews Output information also visible to other employees Stricter procedures/protocols, limited possibilities to deviate	Employees' output had to be recorded Output had to be compared to targets for a given period Targets and self- evaluations were discussed in job appraisal interviews	Employees' output was measured via SuperSys Output information was discussed during appraisal interviews Timely reporting of activities	
Facilitating MC elements	Decreases Increases		Coaching became available to support advisors in working as 'New Officials' Voluntary trainings in the municipality's values were offered and used Individual employees were encouraged by dept. head to (consider) attending trainings Self-management was emphasized	Coaching trajectories were offered and used by both teams and individuals Trainings in content of the tasks Trainings in self- management Trainings in linking the municipality's values to the work activities	
					(continued)

	Greentown			Bluetown	
	Case 1 Spatial Policy	Case 2 Public Administration	Case 3 Social Development	Case 4 Buildings and Installations	
Decreases	Education and training received less attention and were organized only on a very "ad hoc" basis	Introductory training for new employees cut in half Budgets for education and training shrank			
Effects and/or problems	Filling out the timesheets was not taken seriously	Employees started to strategically pick "easy" clients	Less "personal attention" for employees because of larger span of control	Some employees were skeptical about the reliability of the output measures	
	Some measures led to more "distance" toward top management	Less time for customer friendliness because of pressure on output	Finding the right "mix" remained difficult	Urgent work sometimes got in the way of reporting the finished tasks	
	Employees innovativeness was recognized to be undermined by stricter types of MC	Employee motivation was lowered	Measuring output proved to be difficult	Managers used constraining MC to "balance" the current emphasis on facilitating MC elements	
		Employees increasingly feared to lose their job	Differences organizational & departmental MC		

Management control in times of austerity

Table II.

inhabitants. Their municipal organizations consisted of 1,200 and 3,000 full time equivalent (fte), respectively.

Although we initially selected the two municipalities because we expected them to be more or less the same since their sizes were comparable, we found after the first rounds of interviews that they differed substantially in some respects. Whereas Greentown was a large municipality that used to be divided into several highly autonomous divisions, Bluetown could be regarded as a more centralized and “innovative” municipality. Bluetown had won several prizes for its innovative ideas about HR management, and it was among the first Dutch municipalities to receive the “investors in people” certificate. In addition, Bluetown used a more centralized and integrative program to implement its austerity measures (called TNO, which stands for “The New Official”), whereas Greentown responded to austerity with more “ad hoc” and decentralized programs. So, Bluetown and Greentown used different approaches to deal with the challenges of austerity (centralized vs decentralized, integrative vs ad hoc), which may have reduced their similarity to some extent (cf. Liguori and Steccolini, 2012)[7].

During the years after the crisis that surfaced in 2008, municipalities within the Netherlands have faced substantial budget cuts. Municipal controllers in Greentown and Bluetown indicated that the budget cuts over the period 2011-2014 had amounted up to, respectively, 10 and 8 percent of their yearly budget, and as a consequence the number of fte positions in each municipality had to decrease with about 10 percent[8]. The way in which people felt about these “times of austerity” at the municipality level was perhaps best expressed by an employee of the PA department in Greentown:

The Hague [i.e. the Dutch central government] demands an extremely high quality of our basic administration. But now they hand over even more tasks to the municipalities, which have already been cutting in their budgets, resulting in an enormous pressure on us (PLANNER PA).

Likewise, an interviewee from Bluetown also acknowledged the severity of the austerity measures:

It's for the first time in the history of [Bluetown] that such vigorous measures are being applied, and that job security is no longer assured for everyone. That's not common for the public sector. It's a situation which leads to a lot of stress on the part of the employees (ALDERMAN BI).

In other words, the “times of austerity” and their consequences were impacting municipalities in all sorts of ways.

In the next section, our findings are presented as summary reports per case, each consisting of three paragraphs. In the first paragraph, we briefly introduce the department and its characteristics and describe what “austerity” meant for this department. Second, we discuss the relation between austerity and the use of constraining and facilitating MC elements. In the third paragraph, we discuss the effects of the changes in MC on the departments and the services delivered by them. Table II, at the end of this section, summarizes the findings from the four cases.

Case 1: Spatial Policy (SP)

The department of SP in the municipality of Greentown advises politicians and develops policies in the fields of housing, infrastructure and energy. Most departmental staff are highly educated policy advisors (i.e. they have an academic background) while their tasks are often complex and non-routinized, and hence broadly defined. The department is the result of a merger between four policy departments, and its goal is

“to anticipate future problems in the city, and develop solutions to these issues in the middle and long term in collaboration with other parties” (Department Head SP). Most interviewees specifically mentioned that austerity measures were visible everywhere in the organization, and that the municipality “pinches pennies like mad.” To illustrate this situation, the interviewees often referred to one of the most “visible” budget cuts at the organizational level in Greentown; all the litterbins had recently been removed from the employees’ rooms, leaving only one or two central litterbins per department which were only occasionally emptied. Another often mentioned austerity measure was the downsizing at the SP department in terms of fte positions, which increased the pressure on the remaining staff:

On the one hand we are expected to downsize our department [as a consequence of budget cuts], but on the other hand our work load keeps increasing, which makes things difficult here (TEAM LEADER 2 SP).

Furthermore, because of the budget cuts some of the policy programs on which several advisors had worked for more than two years were suddenly terminated. All advisors involved in the project had to stop their activities immediately, which caused a very cynical atmosphere among them: “Yeah, those were very hard measures. Some of them [the advisors] are still pretty frustrated about this” (POLICY ADVISOR 2 SP). Another austerity measure had abolished the possibility of tenure for new employees: “That leads to a lot of frustration! They [the younger employees] work very hard; they’re good at their jobs and passionate. They possess the skills that we need around here. And there are too many older staff members just “sitting” here collecting their salary” (PROGRAM LEADER 2 SP).

At the departmental level, the interviewees experienced MC as largely facilitating, since they are given a lot of autonomy, as supported by the department head:

It’s pretty much un-hierarchical here. The employees are fairly autonomous [...]. We mostly employ management control through exemplary behavior; therefore it is very important how the so-called “alphas” [senior policy officers and team leaders] act within the group (Department Head SP).

Although this autonomy was highly valued by the SP department, in recent years more and more emphasis has been placed on constraining types of MC, for instance realizing auditable results:

But these result-oriented management controls are very difficult for us. We have to cut costs, and at the same time the work load is very heavy [...] We would love to be able to show exactly what we did, because results are highly important, but their measurability is pretty limited around here (TEAM LEADER 1 SP).

The desire for auditable results led to the resort to “results” that were easily measurable and observable, such as “timeliness” and “adherence to deadlines.” Particularly when the mayor or aldermen demanded a quick “result,” the interviewees experienced this as constraining. For instance, during one of the departmental meetings we observed, it was communicated that the mayor wanted to receive the policy and advice documents in a more timely manner, and that compliance with deadlines would become more important. Another instance of a form of MC that was experienced as “constraining” was the requirement to fill out one’s weekly hour allocation on a timesheet. And although the interviewees considered this activity as “useless,” they were forced to do it by the municipality’s top management. Furthermore, in recent years, the emphasis on

and re-introduction of constraining MC elements had been going hand in hand with a de-emphasis of facilitating MC elements, such as less attention for education and training:

[T]here is hardly room for that, which can to a large extent be explained by the budget cuts. I've repeatedly requested to take up a training or so, but I did not receive any responses (POLICY ADVISOR 1 SP).

Team leaders acknowledged that facilities such as these had not received much attention in the department lately, and that decisions regarding education and training were often made on an "ad hoc" basis. In general terms, these developments led to a stronger emphasis on constraining MC elements within the MC package, accompanied by a relative de-emphasis of facilitating MC elements, according to the interviewees.

The changes in emphasis had several effects. Most interviewees did not fill out the timesheets in a serious manner, because they did not believe that the information would actually be used by anyone. Some interviewees even had to laugh when asked about the subject, and jokingly told us that some of their colleagues sometimes drew "funny patterns and figures" on the timesheets, which undermined the reliability and functionality of this particular MC element. In addition, at a departmental meeting the renewed emphasis on complying with deadlines was also ridiculed: some staff members joked that the mayor would ultimately "get used to our style and pace of working," indicating more "distance" toward the municipality's top management. The alderman responsible for this department acknowledged the effects of the MC changes:

I have the feeling that, because of our austerity measures and the focus on the reorganization of the work and everything that is connected to it, we are undermining our employees' motivation to do something innovative [...] We should create a more inspiring and challenging atmosphere, which is something we have underemphasized lately (ALDERMAN SP).

Case 2: Public Administration (PA)

The department of PA of the municipality of Greentown is primarily engaged in issuing official documents to citizens, such as driver's licenses and passports, and recording life events, such as births and marriages. "Our mission is to welcome citizens here, and help them efficiently and effectively in a customer friendly manner" (DEPARTMENT HEAD PA). The average level of education of the staff of the department is rather low. Thereby, because of the recent austerity measures, there is a demand for a more "flexible" pool of employees, which has led to an increasing preference for employment agency workers over tenured staff. The tasks of this department are highly routinized. Each service they provide is described step by step in a handbook. All activities of the employees are logged in the computer system and are visible to the team leaders. In this department the employees have widely experienced the austerity measures:

We are continuously confronted with requests like: "Can this be done more efficiently? Can you spend a little less? Can you downsize your department?" It never seems to end (ADVISOR PA).

For instance, during one of the meetings in early 2014, it was – on behalf of senior management – explicitly stated that because the department had to cut down their expenses by ten to 20 percent, an increase in individual productivity was crucial. In addition, it was announced that the number of staff members had to be decreased to achieve the planned savings, which caused employees to be anxious about their future within the department.

Due to the economic situation, the PA department had recently resorted to types of MC that were experienced as “constraining” by our interviewees. For instance, the time spent on an individual client was now recorded in the department’s software system, and this output measure had lately also become a key issue in the yearly appraisal interviews. Interviewees, but also other employees whom we spoke during our fieldwork, indicated that they perceived these types of MC as constraining: they increasingly felt that they were being “watched” by their team leaders. One of the employees even mentioned cynically that the team leaders just “love” these performance measures:

At some point during the recent round of evaluations, we received individual statistics on which clients were served, which clients I helped, and what my average throughput time was. It seems that they are starting to use this information, probably as a means to cut costs (Employee 6 PA).

Most subordinates were quite skeptical – if not cynical – about the trend to use these types of MC. It was argued that the information generated by the statistics was fragmentary and did not convey the everyday complexities in a realistic manner. Employees of the PA department indicated for instance that the time spent on a particular service greatly depends on the type of client, which – as they argued – limits the reliability of the MC element. The system automatically measures how long an employee works on a certain “product” for a client:

When we are working too long on a certain client, we receive a message on our computer screen, which says something like: “Are you still working on this product for this client?” [...] I get this message a lot! (EMPLOYEE 5 PA).

Another example of a change in MC elements that was experienced as constraining was the initiative to hire an external party to review all procedures, protocols and workflows in the department. The aim was to remove all “unnecessary” tasks, while it was mentioned that the possibility to deviate from these redesigned procedures, protocols and workflows would be very limited. During the meeting where this initiative was announced, it was explicitly mentioned that these newly designed procedures were “binding.” Reactions to this change from the subordinates indicated that they felt that their “autonomy” was reduced – once again. Moreover, besides the emphasis on MC elements that were experienced as constraining, one particular MC element aimed at incentivizing employees had been de-emphasized. Specifically, the possibility of rewarding a particular team or employee for their results had been reduced. Earlier it had, for instance, been easier to offer small monetary (incidental) rewards, but the requirements for granting these “tokens of appreciation” were increased tremendously, leaving management with few possibilities for incentivizing the employees. On top of that, the facilitating MC elements have been de-emphasized in recent years. The budgets for education and training have, for instance, become much more limited:

The education budget was already small, but it shrinks each year because of the budget cuts, which confronts us with a dilemma: we want to improve the quality of our services, but our resources decrease year by year (ADVISOR PA).

To illustrate this development, the number of training days offered to new employees has decreased by 50 percent compared to previous years, simply for the sake of achieving cost savings. Reflecting on these changes in the emphasis on different types of MC, one of the interviewees explicitly complained that “all resources that a supervisor used to have to retain a motivated work force have recently been removed” (PLANNER PA).

The increased use of output measures has led to a change in the services delivered by the PA department. Two interviewees sketched this situation as follows:

In the past it was more like: the client is king [...] but now, everything that is customer-friendly, and thus costs money, is being removed (EMPLOYEE 3 PA).

Earlier, we called organizations like the Chamber of Commerce or the Border Police to help our clients. But we don't do that anymore; they [clients] have to solve things themselves now. Otherwise, I spend too much time on a client arranging these kinds of things! (Employee 5 PA).

Apart from this effect on the services delivered to clients, the increased focus on constraining MC elements has also led to a change in the employees' behavior. During our interviews and observations, we identified the practice of "strategically" picking "easy" requests instead of more complex ones, leaving the difficult (more time-consuming) tasks to those colleagues who did not "play" the system. Practices such as the strategic picking of clients limit the comparability of the output information, the validity of the department's monitoring tools and – eventually – the functionality of output measurement as an MC element. When reflecting on the recent austerity measures, the director – one level above the department head – said he recognized these unwelcome effects on the employees:

I think it [the management control] is overly constraining and this should change in my opinion. I think we are not getting the best out of our employees yet. I think we can provide a better service with the same amount of people, and maybe even with less staff. However, now that's not the case yet. First, a different culture has to be embraced; a breath of fresh air is needed (DIRECTOR PA).

The need for a new culture was also stressed in several evaluation reports, written by internal advisory committees, who had interviewed staff about the changes within the department and the overall atmosphere. Briefly summarized, the evaluation reports point to low employee satisfaction and a "passive" and "negative" overall atmosphere. Although some supervisors stated that their subordinates were committed to their work, the general assumptions about their behavior were less optimistic:

Unfortunately, they [the members of staff in the PA department] don't do more than what is strictly necessary, and that's it. I sometimes wished that they would be more passionate (ADVISOR PA).

Case 3: Social Development (SD)

The department of SD in the municipality of Bluetown is mainly responsible for developing policies in the fields of culture, health, society and sports. The departmental staff is average to highly educated. They are engaged in allocating subsidies to organizations, maintaining relations with these organizations and advising the municipal top management and the city council. Employees described the overall culture in their department as "professional" and "individualistic," while the department head viewed the departmental staff as "very committed," but sometimes also "self-interested." In the light of the austerity measures, the political and organizational top managements of the municipality of Bluetown initiated a project called "The New Official" (TNO). This project was aimed at further professionalizing the work force and establishing a culture of self-management. According to the TNO documents, increasing employees' self-management was intended to "support and enable" the removal of one management layer. Most of the austerity-related adaptations

to the management styles and structures of the municipality were embedded in this TNO project, including the removal of a managerial layer in the SD department which took place 15 months before we entered the department for our data collection.

Some of the changes were regarded by our interviewees as shifts toward more constraining MC elements, although other measures also enhanced the use of facilitating MC elements:

I do recognize that the budget cuts and the financial crises have had an impact on the way in which I am seen and controlled by management [on the department level]. The focus on my results and my functioning is even stronger than before (POLICY ADVISOR 3 SD).

The increased emphasis on output was primarily experienced during the yearly appraisal meetings with the department head. All employees had to self-evaluate the extent to which they achieved the year's planned targets and define new ones for the next year. The fact that these plans had to be filled out in a fixed format in combination with the low "measurability" of their output was considered constraining by multiple interviewees. The HR advisor of the department commented as follows on the employees' experience of the MC as "constraining":

Some of the tools that we [the HR department] offered just went berserk [...] Sometimes they led to even more frustration on the part of the users, instead of helping them. This is, for instance, the case with the yearly appraisal conversations and the appointments that have to be documented there. [...] They force you, for instance, to provide information that is totally irrelevant, which keeps you from the work that you actually should be doing. That's a bit sad of course (HR ADVISOR SD).

In addition to the greater focus on results, the removal of a managerial layer also affected the MC in the department. Before this removal, four team leaders had their own relatively independent teams, with which they held appraisal interviews on a yearly basis. After the reorganization, these tasks were assigned to the department head, whose "span of control" now consisted of about 35 employees. However, as mentioned before, simultaneously there was also a greater emphasis on more facilitating types of MC, such as a "facilitating" culture:

It is important that we continue to invest in the culture that we have, in particular because things have just started. The pressure is increasing; we have to make budget cuts. More difficult tasks have to be done with less people (DEPARTMENT HEAD SD).

Introducing and disseminating the TNO program with its new styles of working were mainly achieved through MC elements that can be regarded as facilitating. Such MC elements were, for example, voluntary training, online blogs, booklets that were issued and coaching sessions. Although all these facilitating MC elements had originated at the organizational (i.e. municipal) level, they were adapted by the individuals and teams within each department. For example, the employees and teams in the SD department were coached by HR professionals to facilitate them in accomplishing their day-to-day tasks in line with the new TNO program. Several interviewees were positive about this:

My coaching trajectory really helped me to develop my "self-management" abilities. The fun thing is that in the past six months I have actually seen myself improving in some respects. Then I realize: "Wow, I am actually doing that self-management thing!" (Senior Policy Advisor 2 SD).

In addition, during the yearly appraisal interviews the department heads encouraged the employees to receive certain training, which would help them in their day-to-day

activities. And although some employees could have perceived such “encouragements” as constraining, our research did not explicitly show that this was the case.

Overall, the effects of the MC changes in this department appeared to be quite diverse. Some of the employees regretted, for instance, the removal of the managerial layer. Because of the increased “span of control” of the department head, in combination with the greater focus on results, they felt that they had lost some of the “personal attention” of their superior. According to others, the department head’s approach consisted of both types of MC elements, because he was aware that his subordinates could engage in two types of behavior:

Sometimes it [the MC used by the department head] is very constraining, whereas at other times it gives a lot of freedom and autonomy (ALDERMAN 1 SD).

So in sum, it was claimed that when faced with hard times, people in supervisory positions often “fall back” on constraining MC elements (despite the use of facilitating ones):

When things go wrong we panic and respond by imposing more constraining forms of management control [...] Maybe we [i.e. the municipality’s top level civil servants and politicians] haven’t found a good mix yet. At the moment it’s like this: letting go until things go wrong, then exercising powerful and constraining control measures which make people start to feel tense so that it becomes more difficult for them to re-find their roles again. They then ask themselves: “Am I autonomous or am I not?” (ALDERMAN 2 SD).

Other interviewees indicated that there were differences in the way MC originating from different organizational (hierarchical) levels was experienced by them:

At the departmental level I experience it [MC] as facilitating [...], however, at the organizational level a large number of things are imposed on us by force (POLICY ADVISOR 1 SD).

So, although newly initiated projects, such as the TNO project, could be adapted at the department level, the interviewees still felt a difference between MC elements adapted or initiated at the department level – which were often experienced as facilitating – and those exerted at the organizational level – which were experienced as more constraining.

Case 4: Buildings and Installations (BI)

The department of BI in Bluetown is responsible for the maintenance of municipal property, such as libraries and municipal buildings, as well as installations like traffic lights, bridges and water pumps. The tasks within the department are both routinized (e.g. the maintenance of buildings) and non-routinized (e.g. dealing with malfunctioning bridges). In general terms, the department’s aim is to “make sure that the installations and buildings in the city function well, and that the clients, inhabitants and users are satisfied with the services provided” (DEPARTMENT HEAD BI). The interviewees generally called their department’s culture “informal” and “friendly,” and indicated that there was a “strong feeling of community.” The austerity measures embedded in the municipality-wide TNO program, affected the BI department in several ways. The general idea of the TNO program was to make the employees more “self-managed”:

What we see is a shrinking government; people have to do more themselves, and we have to cut costs. This situation demands a different kind of employees, a different approach and a different type of management control. That’s why we developed the TNO program (HR ADVISOR 1 BI).

Alongside this program, other austerity measures were also introduced. During our data collection in 2013, a new reorganization was announced, aimed at organizing processes more efficiently. For the BI department this measure only meant a relatively small change in the configuration of the department: only four employees had to join another department on a different floor.

Recent austerity-related changes in MC in this department could be considered as a simultaneous emphasis on both constraining and facilitating types of MC. Although the BI employees recognized the renewed emphasis on results (e.g. during their appraisal interviews and departmental meetings), as advocated by the TNO program, the impact on their daily work practices remained limited:

Well, things have changed of course since we have been subjected to the economic crisis and had to economize as a municipality. So, we see things change, but that doesn't necessarily affect our daily practice. I still do my job in the same way as four and a half years ago, when I started. It's still the same people, the same tools (SERVICE EMPLOYEE 6 BI).

One element which, however, clearly changed in the staff members' daily work practices, was an ever increasing emphasis on a (timely) reporting of the work results, i.e. finished jobs, which sometimes led to conflicts and was thus experienced as "constraining":

In SuperSys [fictional name for performance measurement system] they [i.e. the supervisors] can see that I completed only 80% of my tasks in time. However, I also need time to report all the things I did! They want us to record everything digitally directly after solving a problem, but if there are twelve other breakdowns urgently waiting for me, I'll just continue working [without reporting the completed ones], because I want to have them all solved at the end of the day (SERVICE EMPLOYEE 2 BI).

One of the other service employees explained his experiences in more detail, especially with respect to the reporting of his tasks:

It's really only for the people "inside" [i.e. the supervisors and planners] that we provide information about the things we do. But [...] those administrative things are not relevant at all for my main task: making sure that things work "outside" [i.e. bridges, water pumps]. I am a technician, so I want the technical part of my job to be well executed. Of course, I understand that we've got to do some administration, but it shouldn't drive me crazy. For example, I have to record my hours in two or three separate IT systems. That really doesn't help, and it actually drives me crazy sometimes (SERVICE EMPLOYEE 2 BI).

Still, along with the reporting tasks (i.e. constraining MC elements) also more facilitating types of MC were introduced. For instance, coaches became available to support the individual employees as well as the teams. On top of that, several training programs were provided to help the employees perform their tasks, which were related to both the content of their activities and the way in which they were expected to carry out the self-management-related values of the TNO program:

I really experience personal coaching as a supportive tool [...] Personal coaching has helped me to manage my team and to get all my team members to look in the same direction. It [my individual coaching] worked, absolutely! The uncertainties I had became much clearer to me, and that's also because I asked a lot of questions [to my coach] (PLANNER BI).

Regarding the increased focus on result-oriented MC elements, some of the employees were skeptical about their reliability. They argued that the standards for these output measures, such as the time required to repair a malfunctioning bridge, were highly

speculative and did not sufficiently account for the actual complexity of these tasks. In addition, other – more urgent – work sometimes got in the way of the reporting of finished tasks, which also distorted the reliability of the self-reported output measures. Finally, some managers were also critical toward some of the facilitating MC elements, such as coaching, training and the more “facilitating culture.” In their opinion, too much focus was sometimes placed on the “facilitating” MC elements. For example, although the importance of facilitating types of MC was acknowledged by the Director of BI, she also stressed the need to complement the “facilitating management fad” with more direct and constraining types of MC:

They [the members of staff in the BI department] sometimes simply need a fist on the table; that's definitely necessary from time to time (DIRECTOR BI).

Description of the variability of the findings

In order to present our key findings from the four cases, we developed Table II. The table shows some of the variety among the cases and highlights the changes in constraining and facilitating types of MC, and the effects or problems in which these changes resulted. For both the constraining and facilitating types of MC, we denoted those instances where an MC element was “emphasized” (i.e. increased in use or importance) or “de-emphasized” (i.e. decreased in use or importance) in the relevant cells. We chose to display these dimensions in a table in order to highlight and describe some aspects of the important variability between the four cases in a comprehensive manner. Yet, we acknowledge that such a table does not fully reflect the richness and complexity of the case information gathered.

Discussion and conclusions

In this section we will discuss how MC within governmental departments is used in times of austerity, and how insights from both agency theory and stewardship theory can enhance our understanding of this matter. The section contains cross-case analyses based on the findings section (summarized in Table II), connects the findings to the extant literature and ends with some concluding remarks.

The four departments studied were all facing the challenges of austerity, and in each case an increased emphasis on constraining MC elements was the response. In so far as we found that organizations use tighter budget control in times of financial turbulence, our findings are in line with Johansson and Siverbo (2014). However, our findings also point to other interventions than changes in the budgeting instruments, such as coaching possibilities, self-management and culture (as suggested by Van der Stede, 2011). Our findings indicate that output measures received renewed attention and that employees' accountability for their own performance was also strengthened. These issues were regularly discussed in the yearly appraisal interviews, and used as both monitoring and incentivizing systems (cf. Jensen and Meckling, 1976). In all four cases, the increased use of constraining MC elements was related to the current austerity challenges, which were a consequence of the financial and economic crises that started in 2008. This finding suggests that, as a first reaction to the budgetary stress, the government organizations studied considered their employees as “agents.” Although this finding is consistent with the view of human behavior that underlies NPM (see e.g. Gruening, 2001), there are also some important differences between NPM ideas and austerity measures. Measures in times of austerity are more obviously driven by a need for short-term cost reductions than NPM ideas, which are traditionally focussed

on making the public sector more “businesslike” and improving the service quality. So NPM clearly has a longer-term orientation (Hood, 1995; Pollitt and Bouckaert, 2011). The potential dysfunctional consequences of emphasizing constraining MC elements may therefore be more severe when austerity measures are taken than in the case of implementation of NPM ideas. In times of austerity, there is certainly a risk that cost reduction programs are introduced without much further focus on the conditions necessary to make the programs’ ideas work out well in the longer term. This is especially important since the effects of emphasizing constraining MC elements were not the same in each of the cases. This finding can possibly be explained by the various degrees to which facilitating MC elements were simultaneously emphasized, which indicates the relevance of recognizing the connectivity between notions of agency and stewardship theory in understanding MC in times of austerity.

When comparing the cases situated in Greentown (cases 1 and 2) with those in Bluetown (cases 3 and 4), we see that the latter emphasized facilitating MC elements whereas the former de-emphasized facilitating MC elements. Whereas Bluetown retained training and coaching opportunities for its teams and individuals, these facilities started to be abandoned in Greentown. When looking at the effects of the enhanced use of constraining MC elements, we see different responses in the two “operational” departments (cases 2 and 4). Whereas in both departments the employees were critical of the validity and completeness of the performance measures, in case 2 the increased emphasis on performance resulted in actions such as “strategically picking” clients to manipulate the individual measures. The employees in case 4, however, reacted by prioritizing their usual tasks for the department and municipality (e.g. solving malfunctioning bridges and dealing with machine breakdowns) over “reporting” their (individual) performance. These responses may be explained by the notion of “reinforcing cycles” (cf. Segal and Lehrer, 2012). An overemphasis on constraining MC elements may invoke opportunistic (agent-like) behavior (e.g. picking “easy” clients), such as in case 2, whereas the relatively stronger focus on facilitating MC elements in case 4 induced more organizational-serving (steward-like) behavior (i.e. caring more about the organization’s goals than about one’s own individual performance measures). Following this line of reasoning, enhanced education and training opportunities which help to make employees more autonomous could, to some extent, “compensate” for the increased uses of constraining MC elements in times of austerity, and mitigate their negative effects. This would suggest that the aforementioned negative effects of an overemphasis on constraining MC elements (the crowding-out effect or the performativity effect) are likely to be stronger in situations where the increase in constraining MC elements coincides with a decrease in facilitating MC elements (e.g. cases 1 and 2), than in situations where the MC package is better able to deal with human ambivalence (cf. Segal and Lehrer, 2012). This would then be an MC package that includes both facilitating and constraining MC elements without overemphasizing one of the two types. This argument is consistent with Hernandez’ (2012, 2008) interpretation of the effects of using stewardship-informed MC.

When juxtaposing the two “policy” departments (cases 1 and 3), we see that the SP department (case 1) had more difficulty in dealing with the increase in result-oriented control. A potential explanation for this finding may relate to the decreased emphasis on facilitating MC elements, such as education and training, in case 1. The two simultaneous changes, i.e. the increased focus on outputs and the reduced training possibilities, limited the motivation and innovativeness of the employees and led to a less inspiring and challenging work environment. This is consistent with Pollitt (2010, p. 23), who stated that

“during a period of austerity, the conditions for meaningful innovation will deteriorate.” Within the SD department (case 3), however, the interviewees often stressed the dual roles of MC: on the one hand there was an increasing emphasis on individual performance and its assessment, but on the other hand there was still enough room for personal development and self-management, facilitated by training and coaching possibilities. So, even though some of the task characteristics (i.e. task contractibility) of these two cases were very similar, there were considerable differences in the effects of the changes in MC between them.

Comparing the “high” (operational) and “low” contractibility (policy) departments yields some additional insights. The four departments researched all emphasized the use of constraining MC elements as a response to austerity challenges. In particular the use of output measures increased in all four departments. Based on previous literature (e.g. Ouchi, 1979), output control may be seen as more suitable in the “operational” departments than in the “policy” departments. The differences in the use of output measures are, however, less clear than the variation in contractibility between the two types of departments would suggest. The case studies revealed that both the operational and the policy departments were critical about the possibility of measuring their outputs and that they questioned the reliability of the output measures used for MC. Also in the operational departments, it became clear that measuring output was not an easy undertaking. In case 2, the output measurement did not adjust for the different types of clients (more or less time-consuming). In case 4, parts of the tasks were not routinized (e.g. repair work related to malfunctioning equipment), which led to questions about the usefulness of the output measures. One important difference between the two types of departments is, however, that the operational departments’ output measures were more oriented toward cost-cutting and efficiency improvement, while the policy departments’ output measures were more focussed on compliance with deadlines and accountability for performance. The output measures in the operational departments were clearly experienced as constraining, while this was less obvious in the policy departments. It may be concluded that the different levels of contractibility may have initiated less variation in MC than expected. However, due to several other factors both at the department level and the organizational level, the variation in the MC packages in the four departments researched was in fact quite considerable. This finding allowed us to explore the variety in MC use in the four different case settings.

Concluding remarks

In this paper, we explored how MC is used within governmental departments in times of austerity, and how insights from agency and stewardship theory can contribute to our understanding of this matter. Our paper has two main contributions to the extant literature. First, it illustrates the dangers of relying predominantly on constraining MC elements or presuming a pre-dominance of agency-like thinking. In our study we found that an overemphasis on constraining types of MC has several negative consequences, such as lower employee motivation and more opportunistic behavior. Yet, when facilitating and constraining MC elements are emphasized simultaneously, some of these negative effects are mitigated. Although we used task contractibility to select different types of cases, this has led to less variation in the changes of constraining and facilitating MC than we initially expected. Both types of departments (i.e. high and low task contractibility) strongly increased their emphasis on constraining types of MC, mostly in the form of individual output or performance measures. We also argued

that the use of either constraining or facilitating MC elements alone yields an MC package that does not allow for human ambivalence. We acknowledged employees' choice and fluctuation between agent-like and steward-like behaviors, and responded to the call to further explore the dual role of MC (Segal and Lehrer, 2012; Tessier and Otley, 2012).

Second, our paper contemplates alternative strategic managerial responses to austerity in a public sector context. The study shows that in order to deal with the challenges of economically difficult times, municipalities and departments adopt a variety of changes in their uses of MC. Despite the fact that some of these changes (e.g. savings in educational or training budgets) may lead to short-term financial stability, our study suggests that they may have detrimental effects in the longer term (although we did not "measure" these effects in this study). These effects will occur when austerity-related changes lead to an overemphasis on constraining types of MC without sufficient encouragement of stewardship behavior through facilitating types of MC.

The findings of this study should be considered in the light of the limitations of the research method used. We therefore suggest the following avenues for further research. As explained earlier, we used four case studies to explore the effects of austerity on public sector MC, because this method allowed us to increase our understanding of the complex issues of austerity and MC in their natural context. In order to generalize our findings to other organizations, we would suggest using the effects identified by our study as the starting point for further research on the relations between austerity and MC. As we focussed on the effects of austerity on different types of MC, we did not elaborate on the interplay between these different types of MC. However, we do recognize that this issue is an important avenue for further research, since it can help us understand why some combinations of constraining and facilitating MC elements work better in certain settings than in other ones. Ferreira and Otley (2009) also suggested to explicitly consider the links between the various individual MC elements and the effects they have when combined. Case-based research methods could play an important role in developing these concepts, since they are probably more suitable than other approaches for capturing the complexity of the interactions between MC elements (cf. Grabner and Moers, 2013; Malmi and Brown, 2008). Furthermore, there are many different variations within the "constraining" and "facilitating" MC elements. It could, for instance, be interesting to explore in future studies in which particular situations MC elements are experienced as constraining or facilitating. Apart from this, the paper indicates that constraining and facilitating MC elements relate to agency and stewardship ways of thinking, respectively. This suggests that in practice "hybrid" packages of MC elements are used, i.e. packages that include both types of MC that relate to different theoretical backgrounds. Future research could further elaborate on the extent to which the different theoretical backgrounds and their diverging views of human behavior are considered and balanced in practice.

In our findings, we already indicated that the four cases responded differently to the budgetary challenges they faced. This observation suggests that there was little learning across the cases studied, which may be caused by a number of reasons. One possible explanation refers to the short-term orientation of most austerity measures. Perhaps, the limited time frame to realize the budget reductions withheld municipal departments to learn from each other's approaches. This suggestion is supported by our findings, in which we illustrate that many budget reductions were "decentralized," first from the central government to municipalities, and subsequently from the

municipal level to the departments. Furthermore, managers may differ in the choices they make with regard to the use of constraining and facilitating MC elements. However, besides managerial intentions, there could also be other factors that affect the perception of MC elements as facilitating or constraining. For instance, Merchant and Van der Stede (2007) pointed out that MC elements can be initiated at different organizational levels. Exploring whether “hierarchical origin” of an MC element has an effect on how it is perceived may yield interesting insights. Furthermore, Tessier and Otley (2012) briefly touched upon the issue of “quick fixes.” They suggest that when a change in an MC element follows from the need to fix a problem quickly, this may influence the effectiveness of the change. The element is then likely to be changed without taking the current MC package into account, which may lead to an overreliance on either constraining or facilitating MC elements.

Finally, the acknowledgment that individuals can actually choose whether to engage in either agent-like or steward-like behavior alters the question “Are my subordinates agents or stewards?” into “Will my subordinates act as agents or as stewards in a specific situation?” Because the choice between the two different behaviors is a recurring one, a subordinate may make different choices at different times or places, which may be affected by multiple factors. The factors that affect agent- and steward-like behaviors may therefore form fruitful soil for further research. Studies such as Tosi *et al.* (2003) – who used an experimental design to examine whether different types of MC evoke different types of behavior – may help to increase our understanding of human behavior. However, field research in which human actors can be studied in their natural settings remains crucial, since the “real world” context will allow a more in-depth analysis of the complicated issues related to MC.

We conclude this paper by sketching the practical implications of our study on the use of facilitating and constraining MC elements. Austerity measures may improve an organization’s financial position in the short term. However, a sole emphasis on constraining MC elements, such as stricter performance measurement, together with a de-emphasis of the facilitating elements, such as education, training opportunities and self-management, can have severe negative effects in the long term. Overly relying on constraining MC elements may lead to lower employee motivation and to opportunistic behavior. In addition, it may stifle the initiatives of individuals within departments. Especially in periods of austerity, when it is important to find creative solutions to help improve the organization’s financial situation in both the short and the longer run, “steward-like” behavior could be highly desirable. In order to accommodate both agent –and steward-like behaviors, it is important that constraining and facilitating MC elements are employed simultaneously, even though their simultaneous use may seem somewhat “paradoxical.” This recommendation is very similar to the balanced approach to “positive” and “negative” controls as suggested by Simons (1995) in controlling empowered and creative employees, which was further developed by Tessier and Otley (2012). However, our study clearly adds to Simons’ work by revealing that a balanced approach does not necessarily deny that an increase in constraining MC elements may be essential in some situations, for instance to avoid short-term financial distress. Furthermore, this study adds to Simons’ notion of a balanced approach by presenting the idea that when an organization has to be very strict in terms of its budgets, and therefore adopts detailed spending rules and procedures, it is useful to examine whether it still has sufficient facilitating MC elements in place to support and reinforce steward-like behavior.

Our study suggests, however, that an increased emphasis on constraining MC elements may be an initial and “automatic” response of organizations to austerity-related challenges, while an increased use of facilitating MC elements requires a more conscious and integrative approach.

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Notes

1. This number was calculated by the Dutch National Audit Office, www.rekenkamer.nl, accessed on March 19, 2015.
2. An MC package is the sum of all MC elements – intended or unintended, designed or spontaneously emerged – which aligns the subordinate’s behavior to the organizational goals (Abernethy and Chua, 1996; Malmi and Brown, 2008).
3. Yet, we acknowledge that training and education can sometimes also be experienced as “constraining” if subordinates are coerced into taking it. The same goes for cultural values, for instance when subordinates are forced to adopt the new values promoted by top management.
4. A high (low) contractibility of tasks resembles what Ouchi (1979) calls a condition of high (low) measurability of output and “perfect” (“imperfect”) knowledge of the transformation process. Ouchi (1979) suggested that different types of MC may be associated with different types of task characteristics. Ouchi (1979) uses his own classification of MC elements, which does not explicitly refer to underlying views of human behavior, or to the notions of constraining and facilitating MC elements.
5. The interviews and observations took place from September 2013 to June 2014. In the same period, we collected documents that had been produced from 2005 to 2014. The “times of austerity” (from the title) are the years following the financial crisis that surfaced in 2008, which had continued to affect the financial position of the two municipalities in the subsequent years. This was supported by our collected data. For instance, both municipalities confirmed in recent (2013, 2014) official documents (program budgets, financial statements) that the effects of the economic crises were still felt at the time.
6. These three interviewees could tell us more about the MC elements used and their origins, such as individual and team coaching activities (the HR advisors) and the use of targets and individual appointments (the internal client).
7. This led to an “ex post” dimension of centralization/integratedness on the organizational (municipal) level of our embedded case studies. However, this dimension did not interfere with the explorative purposes of this study because our focus was on the changes that took place at the departmental level. Moreover, in comparing the case studies the municipal differences are taken into account.
8. From 2011 to 2014, Greentown introduced budget cuts of a total of about 81 million on a yearly budget of 820 million (so, almost 10 percent), while Bluetown introduced budget cuts amounting up to 31 million on a yearly budget of about 375 million (so, about 8 percent). Both municipalities were at the moment of our study working on a decrease of fte positions employed of about 10 percent.

9. This study is part of a large research project, and in the interviews we addressed multiple topics, as described in the main text. We did not use all sections of the interviews extensively in the current study. For instance, although we followed Merchant and Van der Stede's (2007) categorization of MC elements in the second section of our interviews, in the current study we do not explicitly draw on their framework, since we focussed on austerity and the facilitating/constraining types of MC, which were mainly addressed in the third and fourth sections of the interviews.

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(The Appendix follows overleaf.)

Appendix 1

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Greentown			Bluetown		
Job title	Dept.	Quantity	Job title	Dept.	Quantity
<i>Department head</i>	SP	1	<i>Department head</i>	SD	1
<i>Municipal topmanager</i>	SP	1	<i>Director</i>	SD	1
<i>Team leaders</i>	SP	2	<i>Aldermen</i>	SD	2
<i>Alderman</i>	SP	1	<i>Controller</i>	SD	1
Policy advisors	SP	5	<i>HR Advisor</i>	SD	1
Program leaders	SP	2	Senior policy advisors	SD	2
<i>Department head</i>	PA	1	Policy advisors	SD	3
<i>Team leaders</i>	PA	3	<i>Department head</i>	BI	1
<i>Planner</i>	PA	1	<i>Mandator</i>	BI	1
<i>Advisor</i>	PA	1	<i>Teamleader Service Team</i>	BI	1
<i>Alderman</i>	PA	1	<i>HR Advisors</i>	BI	2
<i>Director</i>	PA	1	<i>Controller</i>	BI	1
Other employees	PA	6	<i>Director</i>	BI	1
			<i>Alderman</i>	BI	1
			Service employees	BI	4
			Planners	BI	2
<i>Totals</i>					
Total (interviewees)		51			
Total (hours minutes)		60 h 31 m			
Average (hours minutes)		1 h 11 m			
Total (pages transcription)		829			
Average (pages transcription)		17			

Table AI.
Information about
interviewees

Notes: Those in a supervising, advisory or client relation to the department are referred to in *italics*. All interviews were conducted by the first author, and transcribed by the first author and three research assistants

Appendix 2. Detailed description of the interviews

Our interviews consisted of five sections, which we will discuss in more detail below.

First, we asked the respondents to tell us about their background (e.g. their prior work experience and educational level) and their current function and motivation for it (e.g. “What motivates you to work in your current job?”).

Second, we asked them to describe the MC elements employed in their department, following Merchant and Van der Stede’s (2007) categorizations of personnel controls (e.g. “Is it ensured that the subordinates are capable to perform their tasks?”), cultural controls (e.g. “Do members of staff mutually monitor each other?”), action controls (e.g. “Are your activities logged somewhere by yourself or someone else?”) and result controls (“Are any rewards and/or punishments connected to reaching the targets that were set, if there were any?”)[9]. These initial questions were followed by an “If so, how?” question to allow the respondent to reflect on it.

Third, we asked the interviewees to reflect on the antecedents that had led to the different types of MC and differences or changes in emphasis on specific MC elements (these often turned out to be related to austerity). In this section we also discussed the relations between the MC elements (e.g. “Which type of management control is dominant, according to you?”) (cf. Abernethy and Chua, 1996; Malmi and Brown, 2008). After that, we briefly introduced the topic of “views of human behavior” (via a standard text, which we read to each interviewee), but only to those who had a supervisory, advisory or client relationship with the department (i.e. those denoted in italics in Appendix 1). We then invited these interviewees to reflect on the model of man that they employed

with respect to the members of the departmental staff (e.g. “What model of man do you employ with respect to the members of staff in this department?”).

Fourth, we briefly introduced the topic of constraining and facilitating MC elements, also via a standard text. Next, we asked the interviewees to reflect on how the MC within the department was experienced (e.g. “How are management control elements experienced within your department, mainly as constraining or as facilitating?”; “Can you provide us with examples?”).

Fifth, we asked the interviewees to reflect on the contractibility of the tasks within their department (e.g. “To what extent is the output of this department measurable?”). Just before the interview ended, we gave each interviewee the opportunity to comment further on the topics discussed. Furthermore, we asked them whether they could provide us with the documents that they had referred to during the interview, if applicable.

Appendix 3

Type of documents	Quantity
Departmental plans, policies and budgets	38
Departmental procedures	11
Departmental meetings – minutes	10
Municipal budget and planning documents	7
Municipal policy documents	16
<i>Totals</i>	
Total (documents)	82
Total (pages)	2,651
Average (pages)	32

Notes: In general, the consulted documents were equally distributed over the departments and municipalities. However, most departmental procedure documents stem from the operational departments (Public Administration and Buildings & Installations, respectively, Cases 2 and 4)

Table AII.
Summarized
information
about consulted
documents

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