
Understanding the Type and Pace of Organisational Change in the Maltese Budgetary Framework

Ellul Lauren¹

Abstract:

Purpose: This paper analyses the type and pace of organisational change expected in the Maltese budgetary framework. Drawing on the Greenwood and Hinings' (1996) model, the paper provides an examination of the internal dynamics surrounding the budgetary framework in Malta, including stakeholders' dissatisfaction, value commitments, power dependencies and capacity for action. The paper explores the different categories of performance budgeting systems (presentational, performance-informed and direct) and their bearing on the different levels of change.

Design/methodology/approach: The study follows a qualitative approach using data gathered from documentary sources, corroborated with empirical evidence collected from in-depth, semi-structured interviews. The interviews comprised open-ended questions and they were conducted with senior politicians from the government and the opposition, including former ministers and Prime Ministers, and with senior civil servants.

Findings: The findings indicate that a radical change to the existing Maltese budgeting system could be problematic, as the current system is an institutionalised practice and change could be resisted by the parties affected by the reform. The findings suggest that, within the Maltese scenario, the political ability required to make reforms happen is a further enabler of radical change.

Originality/value: The paper provides an analysis of the expected change in the budgetary framework of a small EU country, identifying the enabling elements of such a change. The method of analysis could be extended to other countries which intend to embark on budgetary reforms. The study also assesses the relevant issues from a policy-making perspective, through access to senior politicians as policy makers, and senior civil servants who influence policy makers and are responsible for implementing policy.

Keywords: Budgetary reforms, public sector, performance-based budgeting, radical changes.

JEL Codes: H30, H31.

Paper type: Research study.

¹Lecturer, Department of Accountancy, Faculty of Economics, Management and Accountancy, University of Malta. Email: lauren.ellul@um.edu.mt

1. Introduction

A traditional line-item budgeting system has been in operation within the Maltese public administration for many years. The resilience of this system has been the result of the strong advocacy by budget offices and ministries of finance for the control of public funds. Notwithstanding its endurance, this system embodies certain limitations which impede effective planning and decision-making, and limit performance-oriented accountability. Budgetary reforms seek to remedy the deficiencies embedded in line-item budgeting. By concentrating on the performance dimension in resource allocation decisions, performance-based budgeting (PBB) is aimed at achieving operational efficiency and enhancing accountability for the results attained (Shah and Shen, 2007). The Government in Malta is committed to controlling its fiscal deficit and the government debt, in order to ensure sustainable public finances and to comply with EU regulations. In this scenario, performance measurement assumes greater importance, with PBB having the potential to be used as a financial management tool to indicate which government programmes are ineffective or under-performing.

This paper seeks to explain the type and pace of organisational change expected in the Maltese budgetary framework. In this regard, the paper draws upon the Greenwood and Hinings' (1996) model, providing an examination of the internal dynamics surrounding the budgetary framework in Malta. The paper also reflects on the different categories of PBB systems (presentational, performance-informed and direct) and their bearing on the different levels of change (radical versus convergent change and evolutionary versus revolutionary change). The paper contributes to existing literature as follows: first, it provides an analysis of the expected change in the budgetary framework of a small EU country, identifying the enabling elements of such a change. The method of analysis could be extended to other countries which intend to embark on budgetary change. Secondly, the study provides an analysis of the relevant issues from a policy-making perspective, through access to senior politicians as policy makers, and senior civil servants who influence policy makers and are responsible for implementing policy.

2. Literature Review

PBB has been defined by the OECD (2008, p. 2) as "*budgeting that links the funds allocated to measurable results*". This system provides information in the budget document which explains what the organisation or department has achieved or expects to do with the funds at its disposal (Melkers and Willoughby, 1998).

Budgetary reforms seek to address the shortcomings of traditional line-item budgeting systems. The line-item budget focuses on how much money is spent and on whether expense items have increased or declined in comparison with the previous year's budget (Shah and Shen, 2007). This budgeting system makes it difficult to assess the performance of government programmes and to appraise the

quality of service delivered by public officials (Murray and Efendioglu, 2011). Murray and Efendioglu (2011) remark that line-item budgeting is especially ineffective during times of fiscal turbulence. When resources are going to be limited, equal across-the-board cuts are typical in a line-item budgeting system, rather than decreasing resource allocation for ineffective or inefficient programmes (Jogiste, Peda and Grossi, 2012).

Unlike the conventional line-item budget, a performance budget comprises performance information (PI) on each government programme, thus facilitating the public officials' task of providing information to the public about the programmes being undertaken and obtaining the public's support for government's activities (Shah and Shen, 2007). McGeough (2014) argued that PI plays a critical role in discharging accountability for performance, as the public administration attempts to justify the utilisation of public funds and to respond to criticisms of poor performance.

OECD (2007) categorizes PBB into three types: presentational, performance-informed and direct. In presentational PBB, the PI presented in budget documents does not play a role in decision-making and does not affect the way in which resources are allocated. PI is included as background information for the purposes of accountability and dialogue with legislators and citizens, on public policy issues and government direction. In performance-informed budgeting, the PI may assist decision-making, but does not determine the amount of resources allocated. Direct PBB involves allocating resources based on results achieved. Appropriations are based on a formula/contract with specific performance or activity indicators, and funding is directly based on results achieved. The PBB categories proposed by the OECD are summarised in Table 1.

Table 1: Performance budgeting categories

Performance budgeting categories		
Type	Linkage between performance information and funding	Main purpose in the budget process
Presentational	No link	Accountability
Performance-informed budgeting	Loose/indirect link	Planning and/or accountability
Direct performance budgeting	Tight/direct link	Resource allocation and accountability

Source: OECD (2007, p. 21)

The OECD 2011/2012 Performance Budgeting Survey (von Trapp, 2014), which covered thirty-one OECD member countries and the Russian Federation, found that PBB practices are widely used but vary considerably between countries. The survey results indicated that PI is useful for accountability purposes, but not so much for

resource allocation. In effect, the resource allocation process remains a political procedure. Thus, there is only a loose/indirect link between PI and funding decisions.

There is some contrasting evidence showing that PI is used actively in decision making. Askim (2007) found that local councillors in Norway use PI actively. Similarly, Liguori, Sicilia, and Steccolini (2012), who studied Italian municipalities, showed that PI played an important role in politicians' decision-making. A comparable situation was observed by Bjornholt and Houlberg (2013) in Danish municipalities.

The Maltese government is seeking to keep the fiscal deficit under control and to lower government debt, in order to ensure adherence to EU regulations. Malta was placed under an excessive deficit procedure (EDP) by the EU, between June 2013 and June 2015, because the fiscal deficit was above the 3% of GDP threshold at the end of 2012 (European Council, 2013). The EDP against Malta was eventually lifted since government managed to lower the fiscal deficit (European Council, 2015); however, the EU has indicated a number of sectors which require reform (including health care, energy and pensions) in order for Malta to ensure long term fiscal sustainability (European Commission, 2015).

3. Theoretical Framework

Greenwood and Hinings' (1996) model of organisational change is used to explain the type and pace of organisational change that may be expected in the Maltese public sector for the implementation of budgetary reform. This model has been drawn upon by Argento and Van Helden (2009; 2010) to explain reforms in the water sector in the Netherlands and in Italy.

The model is used here to establish whether a radical change is possible in the Maltese budgetary framework and to identify the factors that would enable or hinder such a change. The model proposes a framework for understanding organisational change from the perspective of neo-institutional theory. The authors seek to explain why a radical change takes place and the incidence and pace by which such change occurs. The authors determine that a major source of organisational resistance to change originates from the premise that an organisation is normatively embedded in its institutional context. They suggest that the incidence and pace of radical change vary because of differences in organisations' internal dynamics (Greenwood and Hinings, 1996, p. 1023). Therefore, these internal dynamics determine whether organisations undergo radical change and, if they do, how quickly. Focus is placed by the authors upon four aspects of an organization's internal dynamics - interests, values, power dependencies and capacity for action.

The model establishes two aspects of organisational change: convergent versus radical change and revolutionary versus evolutionary change. Radical organisational change involves the transformation of the organisation, whilst convergent change

refers to the fine tuning of its existing orientation; revolutionary change occurs quickly and impacts practically all parts of the organisation concurrently, whereas evolutionary change takes place slowly and gradually.

Argento and van Helden (2010, p. 793) observe that institutionalisation can be an obstacle to change because rules and practices in an organisation become part of the way things are, that is, they become deeply embedded in an organisation. However, the response of the individual organisation to institutional pressures is a function of the organisation's internal dynamics, and thus, the role of intraorganisational dynamics is critical in accepting or rejecting institutionalised practices.

The model includes exogenous dynamics (market context and institutional context) and endogenous dynamics (interests, values, power dependencies and capacity for action). The authors classify the endogenous elements of the model into 'precipitating dynamics' and 'enabling dynamics'.

On 'precipitating dynamics', the authors (Greenwood and Hinings, 1996, p. 1033-1037) observe that pressures for change within an organisation derive from 'interest dissatisfaction' and the 'pattern of value commitments'. Dissatisfaction will only lead to radical change if the dissatisfied stakeholders link their position of disadvantage to the existing template (way of doing things), and there is the possibility of an alternative template. The critical factor leading to the possibility of radical change and providing the direction for change is the pattern of value commitments within the organisation (Greenwood and Hinings, 1996). The authors identify four patterns of value commitments: status quo (where all stakeholders are committed to the existing institutionalised template-in-use); indifferent (groups are neither committed nor opposed to the template-in-use); competitive (some groups support the template-in-use, others prefer an alternative template); and reformative (all stakeholders are opposed to the template-in-use and prefer an alternative).

Reform is only possible if stakeholder dissatisfaction is coupled with a competitive or reformative pattern of value commitments:

"Radical change will only occur if interests become associated with a competitive or reformative pattern of value commitment ... Otherwise, interest dissatisfaction will precipitate convergent change." (Greenwood and Hinings, 1996, p. 1036-1037)

As regards the pace of change, the authors (Greenwood and Hinings, 1996, p. 1037) claim that a reformative commitment triggers revolutionary change because of the lack of resistance, whilst a competitive commitment will lead to evolutionary change in view of the resistance encountered from certain groups.

On 'enabling dynamics', the authors (Greenwood and Hinings, 1996, p. 1037) identify 'power dependencies' and 'capacity for action' as the enablers of radical change.

Power dependencies either enable or suppress radical change within an organisation – radical change takes place where the power dependencies are combined with a reformative or competitive pattern of value commitments (Greenwood and Hinings, 1996, p. 1039). Where the pattern of commitment is competitive (and therefore there are divergent views on the proposed change), radical change will only happen if the people in positions of power are in favour of the proposed change (Greenwood and Hinings, 1996, p. 1038).

Capacity for action is the ability of making the transition from the existing template to an alternative template. It requires the organisation's understanding of the new template, having the competencies to function with the new template and having the ability to manage the transition to the new destination (Greenwood and Hinings, 1996, p. 1040). In the absence of capacity for action, radical change will not happen; furthermore, "capacity for action has to be combined with either a reformative or competitive pattern of value commitments" (Greenwood and Hinings, 1996, p. 1040).

The foregoing literature review and theoretical framework give rise to the following research question: What type of organisational change is expected in the Maltese budgetary framework? What type of PBB should be adopted within the Maltese context and how does this affect the different levels of change (radical versus convergent and evolutionary versus evolutionary)?

4. Research Design and Methods

A qualitative approach was embraced using data gathered from documentary sources, corroborated with empirical evidence collected from in-depth, semi-structured interviews. The triangulation of documentary sources against oral sources provides a more reliable account of an event or situation (Gidley, 2004). Documentary sources facilitated the formulation of the theoretical framework and guided the compilation of the research instrument used to gather primary data. Qualitative interviews were considered appropriate for the research in order to seek to understand the reasons underlying the participants' opinions and attitudes.

The interviews comprised open-ended questions, whereby interviewees were encouraged to talk about a particular topic or issue, depending on their individual expertise and experience. Interviews were carried out with twenty-eight respondents, as detailed in Figure 1. The selection of the research participants was made on the basis of their present or past involvement in the annual budgetary process and/or on the basis of their experience in public financial management.

Figure 1. Research participants

Source: Author.

It was considered important to target senior politicians, being policy makers, as well as senior civil servants who influence the policy makers and are responsible for implementing policies. In this respect, access was obtained to discuss relevant issues with people in prominent positions including the Prime Minister, Ministers, former Prime Ministers and Ministers, and senior civil servants. These interviewees can be termed an 'elite population', in view of their closeness to power and policy making

(Lilleker, 2003). Mikecz (2012) refers to an elite population as authority-bearing persons holding positions of power. The interviews were held between August 2014 and April 2015, at the offices of the participants.

The analysis of the data underlying the research was carried out using a thematic approach. The first phase of the thematic analysis undertaken was to develop familiarity with the data. In this regard, 'analysis' has been referred to as developing a close engagement with the data gathered (Bazeley, 2013). The fact that the interviews were transcribed by the researcher facilitated the attainment of this familiarity. Upon completion of the transcription process, the documented text was read repeatedly and thoroughly, with thoughts and ideas about codes and themes being noted. The next phase involved generating initial codes for the purpose of categorising the data comprised in the transcripts. Subsequently themes were identified. The themes identified were both 'theory-driven' and 'data-driven'. The 'umbrella' themes, which encapsulate the main points in the data set, were determined on the basis of the research questions and the theoretical underpinnings. However, the sub-themes emerged from a review of the data gathered. This was then followed by an exploration of the themes, in order to interpret the data and understand what is being revealed. The analysis sought to integrate the empirical data with the theoretical framework proposed and the literature reviewed at the start of the study (Wertz *et al.*, 2011). This helped to determine what is significant about the study and what new contributions the study makes towards the existing literature.

5. Findings

This section seeks to determine the type of change expected in the Maltese budgetary framework, using the Greenwood and Hinings' (1996) model as a basis for analysis. According to the authors, radical change could be problematic where a practice/system is deeply embedded in its institutional context, as is the case with the existing Maltese line-item budgeting system. The response of the Maltese public administration to the pressures for change will be analysed through an examination of the internal dynamics surrounding the budgetary framework. This section will also consider the respondents' views regarding the type of PBB that should be introduced in the Maltese context. The choice of the PBB system will impinge on whether a radical versus a convergent change will be embraced.

5.1 Diverging Levels of Stakeholders' Dissatisfaction with the Current System

The empirical data shows that there are, mainly, two groups of stakeholders which can be distinguished with respect to their diverging level of dissatisfaction with the existing line-item budgeting system. The first group, consisting of the majority of the research participants, believe that the existing budgetary system needs to undergo complete reform. It was claimed by an economist and advisor to government that the existing line-item, expenditure based budget, is out-dated. The interviewee stated that:

“There is no measure of efficiency and furthermore, there is no time for such considerations because the budget is prepared and finalized in a short timeframe...Very close to the budget date, the civil service first allocates the required resources for the implementation of government’s policies and priorities and then, the remaining funds are spread between the ministries (giving them a small portion of what was initially requested by them) – the latter allocation is done irrespective of value for money concepts.”

The respondent expressed his wish to see a different approach to the budget process – ideally, the budget should pass through Cabinet in the first quarter of the year; the Cabinet makes the required decisions; then, within that framework of decision-making, the civil service would implement Cabinet’s decisions and incorporate them within the budget (rather than having the civil service implementing mathematical decisions). The involvement of the Ministers at an early stage in the budget process would ensure that they understand the nature of government’s constraints, refraining from making unrealistic demands for funds.

A few participants mentioned that budget allocations are done irrespective of value for money concepts, since no analysis is carried out as to what an activity is costing in terms of its expected outcomes (Jogiste *et al.*, 2012). Two former Finance Ministers mentioned that the business plans presented by the line ministries are not measured in terms of the objectives expected to be achieved. One of the former Finance Ministers stated that:

“When line ministries submit their business plans in support of their funding requests, they do not present any output indicators. Unfortunately, the ministries expect that the Ministry of Finance (MOF) will accept all the requests for funding, without having carried out a detailed analysis of the outputs and outcomes to be delivered through the inputs, without having ascertained what their priorities are and without having identified where efficiency gains can be made.”

The second group of stakeholders, consisting of a Budget Office official and the MOF senior civil servant, demonstrated a much lower level of dissatisfaction with the current budgeting system itself. The former mentioned that some budget reforms have already been implemented recently, adding that there might be the need for further small improvements. The respondent did not envisage the need for a radical change in the Maltese budgetary system.

The senior civil servant within the MOF attributed the problems in the country’s public finance to the policies being employed by government in the high spending sectors, including education, health, social welfare (inclusive of pensions), and the care of old people. Communicating a feeling of frustration, the respondent claimed that changes are required in respect of policy stances in these areas, rather than the budgetary framework. According to the respondent:

“It is not the way the budget process is carried out which is driving the expenditure; it is the policies that government is employing in these policy areas which are affecting the spending. The issue is that in these sectors, as long as the same policy stances remain, there is not much latitude for expenditure cutting, because the pensions, social benefits and salaries have to be paid, and free healthcare and education have to be provided.”

Though the interviewee is clearly concerned with the increasing government expenditure, which is not always being adequately compensated by the increase in revenue generation, the statements made imply that this participant does not see the need for a reform in the budgeting process since such reform would not be sufficient to address financial sustainability.

Care has to be exercised when analysing the comments made by the second group of stakeholders – these respondents are public officials from the MOF who are heavily involved in the decision-making underlying the budgetary process. Therefore, it is understandable that they might be reluctant to criticize the current budgeting system, to which they are significant contributors.

The strong dissatisfaction with the current budgeting system, expressed by the first group of stakeholders, can be considered a stimulus for radical change. Nevertheless, given the influential position of the MOF representatives, their diverging views can give rise to an element of resistance to change. This can possibly be managed and controlled, depending on the significance of the other intraorganisational dynamics comprised in the model, as discussed below.

5.2 Preference for the Existing versus the Alternative System

Argento and van Helden (2009) advise that dissatisfaction does not automatically provide an alternative option. Greenwood and Hinings (1996) maintain that radical change will only occur if the dissatisfied stakeholders link the problems being faced to the existing system, and there is the possibility of an alternative template. The above discussion shows that the first group of stakeholders believe that the current system needs to be reinvented, since it is not adequately serving its purpose as a tool for effective decision making. The findings demonstrate that there is the possibility of an alternative system – a large number of participants from the first group of stakeholders referred to the usefulness of moving towards a PBB system, which would allow for the measurement of efficiency and effectiveness in government’s programmes. When asked whether the budgetary reform should be introduced, the following replies were given by diverse respondents:

“Yes, absolutely”; “PBB is the only way forward, even because the EU Commission is pressing us to go that way”; “this is a vital tool for the country”; “at the end of the day, it is not the amount invested, but the results obtained that count”.

In accordance with the model, a significant factor which may give rise to reform is the pattern of value commitments. Radical change is only possible if stakeholder dissatisfaction is complemented by a competitive or reformative pattern of value commitments. The findings and the foregoing discussion suggest a competitive commitment, whereby the first group of stakeholders expressed their wish to see an alternative system, whilst the second group were not against the template-in-use. Though the second group of stakeholders did not criticize the existing system, they were aware of the need to control government spending and the country's fiscal deficit by being more effective and efficient.

5.3 Does the Budgetary Reform Have Support at the Top?

Power dependencies have been identified by Greenwood and Hinings (1996) as enablers of radical change. Where there are divergent views on the proposed reform as is the case with the implementation of PBB in the Maltese scenario, radical change will only be possible if those in positions of power support the proposed change. This observation was substantiated by the interviewees, who claimed that political support will push the reform to happen and will ensure that it is carried out faster from a timing perspective. McGeough (2014) suggests that when PBB is in operation, political drive is also fundamental to stimulate the use of PI and the development of performance targets.

A number of interview respondents who hold powerful positions appeared to be supportive of budgetary reform implementation. The Prime Minister, who is the head of the public service and who arguably holds the most powerful position in the public administration, stated the following when asked whether PBB should be introduced: "yes, an unqualified yes..." Nevertheless, the findings also show that the respondent is very cautious of changing the current system, given that this system is an institutionalised practice which has worked and served the country for years.

The findings suggest that the key people holding positions of power have diverging views with respect to the implementation of the reform, with some of them being strongly in favour of the change and others having some reservations. The occurrence of radical change depends on whether those powerful people in favour of the budgetary reform are in a position to exert enough influence on government to ensure that the change is embarked on. The support and championing of the reform by the Prime Minister and by the MOF is likely to be fundamental for the change to happen.

5.4 Capacity for Action

Another enabler of radical change is capacity for action, which is the ability of transitioning from the existing system to the alternative system. The Greenwood and Hinings' framework (1996) proposes that if capacity for action is supported by a competitive pattern of value commitments (as is the case in the Maltese scenario),

radical change would be possible. The findings indicate that the competencies required to operate within the new system might be lacking, in view of the limited number of adequately qualified public officials in government employment. In this regard, a Budget Office official observed that:

“Finding the right people to champion PBB in the line ministries could be quite challenging. This is due to the existing limited human resources in the public sector; the employee turnover within the ministries/departments; and the fact that people, in particular, accountants, prefer the private sector for employment, both because of more attractive remuneration packages and also because of the perception that jobs in the private sector are more prestigious.”

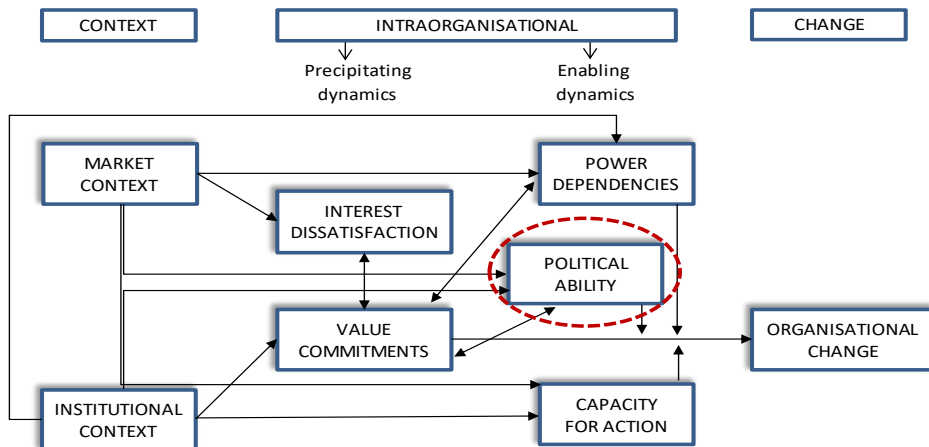
If the reform is to happen, the finance function within the line ministries has to be strengthened, through the employment of suitably qualified staff.

The interview data also showed that investment in an accounting and IT system is required if PBB is introduced, since the existing accounting and information system is incapable of allowing data manipulation for producing reports as required. The government is presently in the process of changing the current accounting system in view of its plans to implement accrual accounting. Thus, this hurdle is presently being addressed.

5.5 Political Ability

The findings suggest that within the Maltese scenario, there is a third enabler of radical change, being the political ability required to make the reform happen. As a result, the Greenwood and Hinings’ (1996) framework could be augmented in terms of the intraorganisational dynamics comprised in the model, as set out in Figure 2.

Figure 2. Model for understanding organisational change (Adapted)



Source: Greenwood & Hinings (1996, p. 1034).

The interview participants mentioned a number of political issues which could constrain the implementation of PBB, as summarised below:

- Political interference in the running of government departments does not allow civil servants the freedom to restructure operations and work processes for the purpose of enhancing efficiency and effectiveness. In this respect, it was mentioned that top civil servants do not have a free hand to transfer people around even if it is believed that performance would be improved as a result of such transfer.
- It is extremely difficult for government to shed any excess staff, in view of the heavily unionised environment in public sector employment and because of the political damage that government would suffer. This problem is very relevant, given that wages and salaries of government employees represent a significant portion of the ministries' recurrent expenditure.
- The financial plans and estimates prepared by the ministries as part of the budget process are sometimes overridden during the course of the year by a political decision. An example was cited in this regard of a programme which had been adequately provided for in the financial estimates, but which subsequently suffered a huge cost overrun, because of a decision taken by the Minister to open the programme to a wider audience.
- There is the political risk of putting government's effectiveness into question, should actual performance not reach the pre-set targets. This could also be used by the party in opposition to gain political advantage.

A PBB system embraces the measurement of performance and linking the expenditure to the planned results and outcomes (Melkers and Willoughby, 1998). This requires shifting staff around activities, if necessary, and may also necessitate reducing the staff complement for certain programmes. Additionally, expenditures on programmes should be justified in terms of the expected results and should not normally exceed the budget allocation.

In this respect, transferring people around or making staff redundant would be politically unpopular actions which would result in the loss of political support (translated into loss of votes during a general election) for the party in government. Conversely, widening the scope of an activity or programme, as mentioned above, would win votes for the governing party.

In view of the above discussion, the following question needs to be answered: can the political forces prevalent in the Maltese context be addressed in order to enable radical change?

The issue of political interference arises when budget plans are overridden by political decisions. Issues of political sensitivity arise when actual results fall short of targets and are made public. Support from people at the top is fundamental to enable change to deal with these types of issues. Radical change would only be possible if the people in positions of power support the new way of doing things and dedicate the required resources to drive the reform. Furthermore, better planning is called for to tackle the issue of plans being superseded by certain political decisions – there has to be the willpower from the top to turn down line ministries' requests for funding which would not have been planned for in the budget (unless it is a matter of national or strategic importance).

A large reduction in staff complement within government is highly unlikely in Malta, so this problem has to be mitigated through the application of the concept of natural attrition, where employees who leave employment, retire or die, would not be replaced. In other situations, staff mobility would need to be improved, with excess employees in certain posts being moved to other roles which have a shortage of staff, if the skill set of such employees is compatible with the new role.

Therefore, the political forces within the Maltese context could, to a certain extent, be controlled, thus, making radical change possible. This is a challenging endeavour, which requires effort, resources and championing from the top. If political ability is supported by a competitive (as is the case in Malta) or reformatory pattern of value commitments, then radical change would be possible.

5.6 Type of Performance Budgeting

There was general agreement amongst the respondents that it is best to start off with presentational PBB, where PI is included in budget documents as background information for the purposes of accountability and it does not play a role in decision-making (OECD, 2008). It has also been suggested that once the civil service and the politicians build up confidence in the new budgeting system, it would be advisable to move to performance-informed budgeting (Carristine *et al.*, 2007), where the compiled PI is used for budget decision-making, but it does not determine the amount of resources allocated (OECD, 2008). There might be certain areas or sectors where it would be appropriate to introduce direct budgeting, such that the funding allocated would reflect the results attained – the feasibility of this has to be assessed during the system design stage. As discussed further on, the choice of the PBB system is a significant determinant of the type and pace of change embraced (radical versus convergent and evolutionary versus revolutionary).

6. Conclusions and Reflections

Institutionalisation can obstruct change because practices in an organisation become deeply embedded within that organisation, according to Argento and van Helden (2010). In line with Greenwood and Hinings (1996), a radical change to the existing

Maltese budgeting system could be problematic, due to the fact that the system is an institutionalised practice and thus, change could be resisted from the parties affected by the reform. Thus, the first question to address is the following: What type of organisational change is expected in the Maltese budgetary framework?

In summary, two main groups of stakeholders can be distinguished with respect to their differing degrees of dissatisfaction with the current budgeting system. The first group, consisting of the majority of the interviewees, opined that the budgetary system needs to be reinvented. The second group, consisting of two top civil servants from the MOF, demonstrated a considerably lower degree of dissatisfaction with the existing system. The first group of stakeholders attributed the difficulties faced by government in making optimal budget allocation decisions to the existing budgeting system. A number of participants suggested that government should embrace a PBB system as an alternative template. As a result, a competitive pattern of value commitments prevails, whereby the first group of stakeholders have expressed their wish for the implementation of an alternative budgeting system, whilst the second group did not criticize the template-in-use.

In line with Greenwood and Hinings (1996), in the case of a competitive commitment, radical change is possible if powerful people are supportive of the reform. The analysis concludes that there are diverging views vis-à-vis the reform, amidst the people holding positions of power within the Maltese public administration, with some of them being strongly in favour of the change and a few having some reservations. As regards the ability of moving from the current to the alternative template, there are some deficiencies in the competencies required to operate within the new system, which could be addressed through the recruitment of qualified personnel and through the engagement of consultants who have already been involved in the implementation of PBB systems in other countries. The findings have revealed a further enabling dynamic for radical change in the Maltese context, being the political ability to embark on the reform. It has been shown that this requires overcoming a number of barriers of a political nature. The analysis shows that this is not an easy feat, and would require considerable time, effort and resources, together with championing from the people at the top.

In conclusion, it is suggested that the most significant impediment to radical change in the Maltese context is the political dimension. Consequently, if the reform is to go through, it has to be championed at the top, possibly by the Prime Minister and the Minister for Finance. There are a number of key persons in positions of power (as indicated above) who strongly advocate PBB. Furthermore, it is important to highlight that there are significant pressures for changing the traditional budgeting system given that, according to the interviewees, it is not serving as a tool for effective decision-making. This, coupled with the internal dynamics discussed above, could lead to a radical change.

A number of budgetary reforms have recently been initiated as part of the overall fiscal discipline process being carried out by the Maltese public administration, in an attempt to control the deficit and bring down government's debt. Amongst others, three important reforms which might pave the way to the introduction of PBB include the launch of spending reviews to determine what outputs were delivered in respect of selected budget line items; the enactment of a Fiscal Responsibility Act which places the budget process under greater scrutiny and accountability and lays down more onerous reporting requirements (Fiscal Responsibility Act, 2014); and the publication of the 'Implementation of the Budget' document which reports on the performance of the ministries vis-à-vis the previous year's budgetary measures (Office of the Prime Minister, 2015).

Secondly, what type of PBB (presentational, performance-informed and direct) should be adopted within the Maltese context and how does this impinge on the different levels of change (radical versus convergent change and evolutionary versus revolutionary change)?

The empirical data indicates that reform implementation should kick off with presentational PBB and then, move towards performance-informed budgeting, once the civil servants and politicians build up confidence in the new system. Presentational PBB provides no linkage between PI and funding (OECD, 2007), with the purpose of this type of PBB being to enhance accountability rather than to influence the allocation of resources. As such, it can be argued that the adoption of presentational PBB does not constitute a radical change (Greenwood & Hinings, 1996) from the existing system, since PI is provided as background information in budget documents and decision-making is not affected. Should the reform process stop with the introduction of this type of PBB, there is the risk of fostering a symbolic rather than functional use of PI, in view of the focus placed on presenting PI in budget documents rather than on utilising such information to inform and affect allocative decision-making.

Conversely, a performance-informed budgeting system makes use of PI in the budget decision-making process, even though the link between PI and funding is loose or indirect (OECD, 2007). In view of the fact that allocative decision-making is affected with this type of PBB, it is argued that the adoption of such a reform would represent a radical change (Greenwood and Hinings, 1996) from the existing line-item budgeting system. Clearly, direct PBB which involves allocating resources based on results achieved, would constitute a radical change from the existing line-item budgeting system. However, this PBB type cannot be introduced across the board, since in certain sectors, it might be unfeasible to link underperformance to a reduction in the budget allocation in view of political, economic and social considerations, amongst others. Thus, it is advisable that direct PBB would only be considered for selected areas, after careful consideration of the ensuing implications.

Radical change (Greenwood and Hinings, 1996) can be both evolutionary and revolutionary, depending on the pace of change. As mentioned above, the empirical evidence has indicated the respondents' preference to kick off the budgetary reform with presentational PBB and then, once the parties affected by the reform build up confidence in a performance measurement system, performance-informed budgeting would be introduced. This suggests an evolutionary (gradual) rather than a revolutionary change (1996), starting off with presentational PBB (which does not constitute a radical change), but then moving on to a performance-informed budgeting system and perhaps direct PBB in selected cases (both of which represent a radical change from the existing system). This proposed course of action also makes sense in view of the cultural change required in the civil service to embrace a performance based system and in view of the challenges that have to be addressed for the successful implementation of PBB.

The Greenwood and Hinings' (1996) model comprises internal or intraorganisational elements, which are classified into precipitating dynamics and enabling dynamics. The current model lists stakeholders' dissatisfaction and value commitments as precipitating dynamics, and power dependencies and capacity for action as enabling dynamics. Within the Maltese scenario, a third enabler of radical change has been identified, being the political ability required to make the reform happen. Indeed, it has been determined that the potential lack of political ability to embark on the reform is perhaps the most significant impediment to radical change in the Maltese context. Political ability, supported by a competitive or reformative pattern of value commitments and backed by top people in positions of power, could lead to radical change. This finding is a valuable contribution to the existing body of knowledge, in the context of a small EU country. In this regard, the application of radical change dynamics in the context of the Maltese public sector, could be drawn upon by other small countries seeking to understand public financial management reforms.

References:

- Argento, D., van Helden, G.J. 2009. Reforming the Dutch water chain: how radical ambitions turned into a moderate pace of change. *Journal of Accounting and Organisational Change*, 5, 321-343. doi: 10.1108/18325910910986954
- Argento, D., van Helden, G.J. 2010. Water sector reform in Italy and in the Netherlands: ambitious change with an uncertain outcome versus consensus-seeking moderate change. *International Review of Administrative Sciences*, 76, 790-809. doi: 10.1177/0020852310381810
- Askim, J. 2007. How do politicians use performance information? An analysis of the Norwegian local government experience. *International Review of Administrative Sciences*, 73, 453-472. doi: 10.1177/0020852307081152
- Bazeley, P. 2013. *Qualitative Data Analysis: Practical Strategies*. Sage Publications.
- Bjornholt, B., Houlberg, K. 2013. Politicians' assessment of performance information: Are they affected by fiscal austerity? Conference paper EGPA, PSG 2, Edinburgh.
- European Commission. 2015. Commission Staff Working Document: Country Report Malta

2015. [pdf] COM(2015) 85 final. Retrieved from http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_malta_en.pdf
- European Council. 2013. Council Decision of 21 June 2013 on the existence of an excessive deficit in Malta. [pdf] 2013/319/EU. Retrieved from http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/30_edps/126-6_council/2013-06-21_mt_126-6_council_en.pdf
- European Council. 2015. Malta's and Poland's deficits back below 3% of GDP, Council closes procedures. [pdf] Press Release 473/15. Retrieved from http://www.consilium.europa.eu/press-releases-pdf/2015/6/40802199535_en.pdf
- Fiscal Responsibility Act 2014. (Cap 534). Malta.
- Gidley, B. 2004. Doing historical and archival research. In Seale, C. (Ed.), *Researching Society and Culture*, 2nd Edition (p 249-264). Sage Publications.
- Greenwood, R., Hinings, C. 1996. Understanding radical organisational change: Bringing together the old and the new institutionalism. *Academy of Management Review*, 21, 1022-1054. Retrieved from <https://search-proquest-com.ejournals.um.edu.mt/docview/210944287?accountid=27934>
- Jogiste, K., Peda, P., Grossi, G. 2012. Budgeting in a time of austerity: The case of the Estonian central government. *Public Administration and Development*, 32, 181-195. doi: 10.1002/pad.1611
- Liguori, M., Sicilia, M., Steccolini, I. 2012. Some like it non-financial... Politicians' and managers' views on the importance of performance information. *Public Management Review*, 14, 903-922. doi: 10.1080/14719037.2011.650
- Lilleker, D.G. 2003. Interviewing the Political Elite: Navigating a Potential Minefield. *Politics*, 23, 207-214. doi: 10.1111/1467-9256.00198
- McGeough, F. 2014. Performance information in the Irish public sector: a comparison with the UK. *Public Money and Management*, 34, 197-204. doi: 10.1080/09540962.2014.908010
- Melkers, J., Willoughby, K. 1998. The state of the states: Performance-based budgeting requirements in 47 out of 50. *Public Administration Review*, 58, 66-73. Retrieved from <https://search-proquest-com.ejournals.um.edu.mt/docview/197166798?accountid=27934>
- Mikecz, C. 2012. Interviewing Elites: Addressing Methodological Issues. *Qualitative Inquiry*, 18, 482-493. doi: 10.1177/1077800412442818
- Murray, L.W., Efendioglu, A.M. 2011. Budgeting for City and County Governments: How Performance-Based Budgeting Could Have Reduced Budget Deficits. *Business and Management Review*, 1(9), 13-22. Retrieved from <http://www.businessjournalz.org/bmr>
- OECD. 2007. Performance Budgeting in OECD Countries. [pdf] OECD: Paris. Retrieved from https://www.bmf.gv.at/budget/haushaltsrechtsreform/OECD_Studie_Performance_Budgeting.pdf?4a9cu2
- OECD. 2008. Performance Budgeting: A Users' Guide. [pdf] OECD: Paris. Retrieved from <http://siteresources.worldbank.org/INTMEXICO/Resources/1-1BarryAndersonFinal.pdf>
- Office of the Prime Minister. 2015. Budget 2015 Implementation. Malta: Government Press. Retrieved from <https://mf.in.gov.mt/en/The-Budget/Pages/The-Budget-2016.aspx>
- Shah, A., Shen, C. 2007. A Primer on Performance Budgeting. In Shah, A. (Ed.)

Budgeting and Budgetary Institutions. [pdf] The World Bank. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/6667/399960PAPER0Bu10082136939301PUBLIC1.pdf?sequence=1>

- Von Trapp, L. 2014. Performance Budgeting in the OECD: Highlights from the OECD 2011/2012 PBB Survey Results. 10th Annual Meeting of OECD – Asian Senior Budget Officials. Bangkok, 18-19 December 2014. Retrieved from <http://www.slideshare.net/OECD-GOV/performance-budgeting-in-the-oecd-highlights-from-the-oecd-20112012-PBB-survey-results-lisa-von-trapp-oecd>
- Wertz, F.J., Charmaz, K., McMullen, L.M., Josselson, R., Anderson, R., McSpadden, E. 2011. *Five Ways of Doing Qualitative Analysis*. New York: Guilford Press.