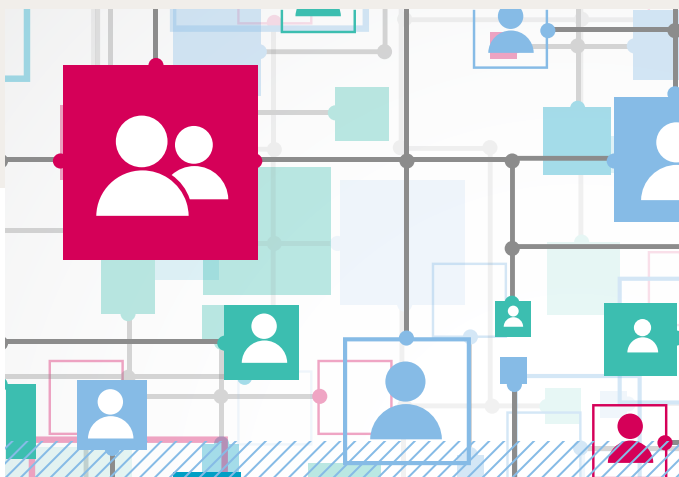


# MANAGEMENT CONTROL SYSTEMS IN PUBLIC NETWORKS

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# KEY CONCLUSIONS

This study was conducted in two public collaborative networks operating at a local level to protect vulnerable people. The key findings show that:

- Shared values and beliefs, as well as trust and facilitative behaviours, encourage network members to build and maintain collaborative relationships.
- Fostering collaboration is a critical part of network managers' work, who must pay attention to a wide range of activities and elements.
- Internal reputation seems to be perceived as an incentive, which can boost partners' collaborative behaviour.
- Formal procedures are useful for dealing with member instability. However, these may hinder flexibility and dialogue between partners. There is therefore a trade-off between formalisation and flexibility.
- Goal-oriented mechanisms support external accountability and incentivise the achievement of network goals through external reputation. However, external reputation also prompts risk-aversion, which may affect collaboration in other ways.
- Informal leadership can overcome any lack of formal control mechanisms and can play a critical role in the achievement of network goals.
- Collaboration and achieving goals appear to be two elements of a cyclical loop that is strengthened when goals are tracked and measured systematically.



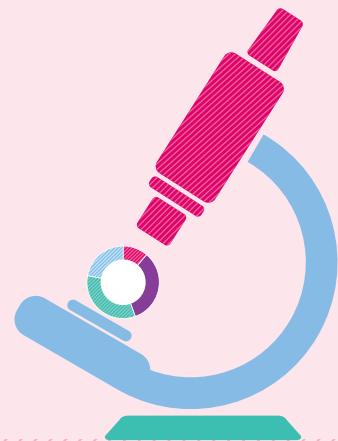
# ABSTRACT

*Public collaborative networks have been used across Europe to deal with challenges in public service delivery. However, running inter-organisational structures requires suitable management accounting and control systems.*

There are packages of mechanisms that help these networks build and maintain collaborative relationships between partners, enabling them to achieve shared goals. This paper is based on a qualitative case study of two public collaborative networks operating at the local level to protect individuals against violence in Italy and the UK. The findings highlight the role of packages of control mechanisms in building collaboration in networks and supporting the achievement of goals.

## CONTENTS

02	INTRODUCTION
03	RESEARCH METHODOLOGY AND CONTEXT
04	MAIN FINDINGS AND THEIR IMPLICATIONS FOR PRACTICE
08	CONCLUSIONS AND INTERPRETATIONS
09	REFERENCES AND FURTHER READING
09	ACKNOWLEDGEMENTS
09	AUTHORS



# INTRODUCTION

*In today's world, where social problems are becoming increasingly complex and 'wicked' (Bryson et al., 2006), single public organisations or the traditional hierarchical service model in government can no longer guarantee effective solutions.*

The literature in this area advocates collaborative networks to facilitate the achievement of common and complex goals. This can be done by taking advantage of a broader set of resources and increased capacity. Collaborative networks are defined as 'collections of government agencies, non-profit and for profit, which work together to provide a public good, service or "value" when a single public agency is unable to provide the good or

service on its own' (Isett et al., 2011, p.158). Thus, they are often inter-sectorial and are typically made up of a large number of organisations. Many view collaborative networks as both necessary and desirable; however, these networks require ad hoc management accounting and control systems to foster active collaboration to reach goals and resolve accountability issues.

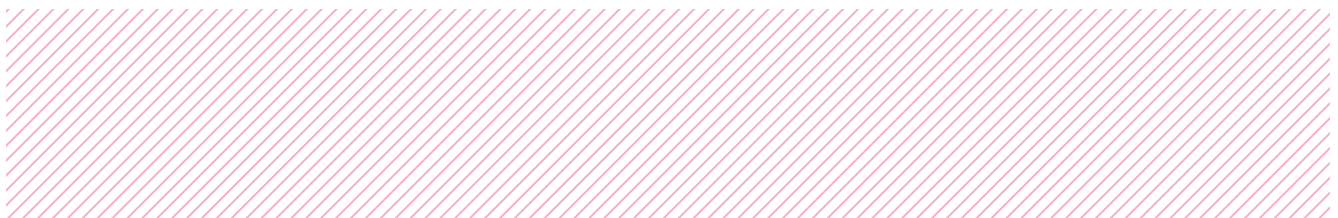
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## OBJECTIVES

This research project investigates the management accounting and control mechanisms at play in the specific context of public collaborations set up in wicked policy areas. In particular, the project addresses the following questions:

- What control mechanisms are used within collaborative networks?
- What kind of issues are these control mechanisms intended to tackle?
- Are there any factors that enable these mechanisms to produce desirable and undesirable effects?

The research provides recommendations to control system designers and managers of collaborative networks. It also speaks to practitioners who interact with such systems in public sector settings on a daily basis.



# RESEARCH METHODOLOGY

*Given the exploratory nature of the project, we collected empirical evidence through two in-depth case studies in two different countries. The research sites for the case studies are two public collaborative networks at the local government level in Italy and the UK.*

Both networks deal with the protection of vulnerable groups. The Italian network deals with women's protection from domestic violence; the UK network deals with child protection. Both networks are mandated and similar in terms of the uncertainty faced in their respective policy environment. They differ in their level of institutionalisation and regulation, service history and financial profile.

Secondary data was collected through legislation and policy documents, partnerships' business plans and founding agreements, as well as minutes of meetings. This was to contextualise the findings from the primary data. We conducted 19 in-depth interviews (10 in Italy and 9 in the UK) with various professionals to capture a range of perspectives. A list of the interviewees is presented in Table 1.

The interview protocol was structured in four sections: general information about the network and relationships; existing control and accountability mechanisms; network leadership information; a wrapping up section, which allowed interviewees to add any other information and express their perceptions of their network's general ability to achieve its goals. Each interview lasted about 90 minutes on average. They were recorded and transcribed. This supported the subsequent thematic analysis of the interviews using Nvivo software to identify emerging patterns.

**TABLE 1: INTERVIEWEES IN THE TWO CASE STUDIES**

NO.	ITALIAN CASE STUDY	UK CASE STUDY
1	Psychologist manager from a local healthcare organisation	Independent LSCB chair
2	Teacher of educational agency responsible for re-integrating women into work	Assistant director children's services
3	Network manager (manager of the centre for protection of women from domestic violence)	Business manager
4	Teacher from the municipality's centre for family relationship support	Director of a municipality's children's services
5	Manager of the elderly service from a local healthcare organisation	Detective chief inspector (police)
6	Teacher from the municipality's office for the elderly	Consultant (hospital trust)
7	Psychologist from the centre for abusive men	Lead member for children's services (local councillor)
8	Manager of the municipality's office for child protection	Lay member (non-professional representing the public)
9	Teacher of drug dependence from a local healthcare organisation	Prison governor
10	Manager of the municipality's immigrant integration office	

# MAIN FINDINGS AND IMPLICATIONS FOR PRACTICE

*Our findings are confined to public sector collaborations like our case studies: mandated welfare partnerships tackling complex policy issues.*

Figures 1 and 2 display the findings from our case studies in Italy and the UK.

**FIGURE 1: UK CASE STUDY**

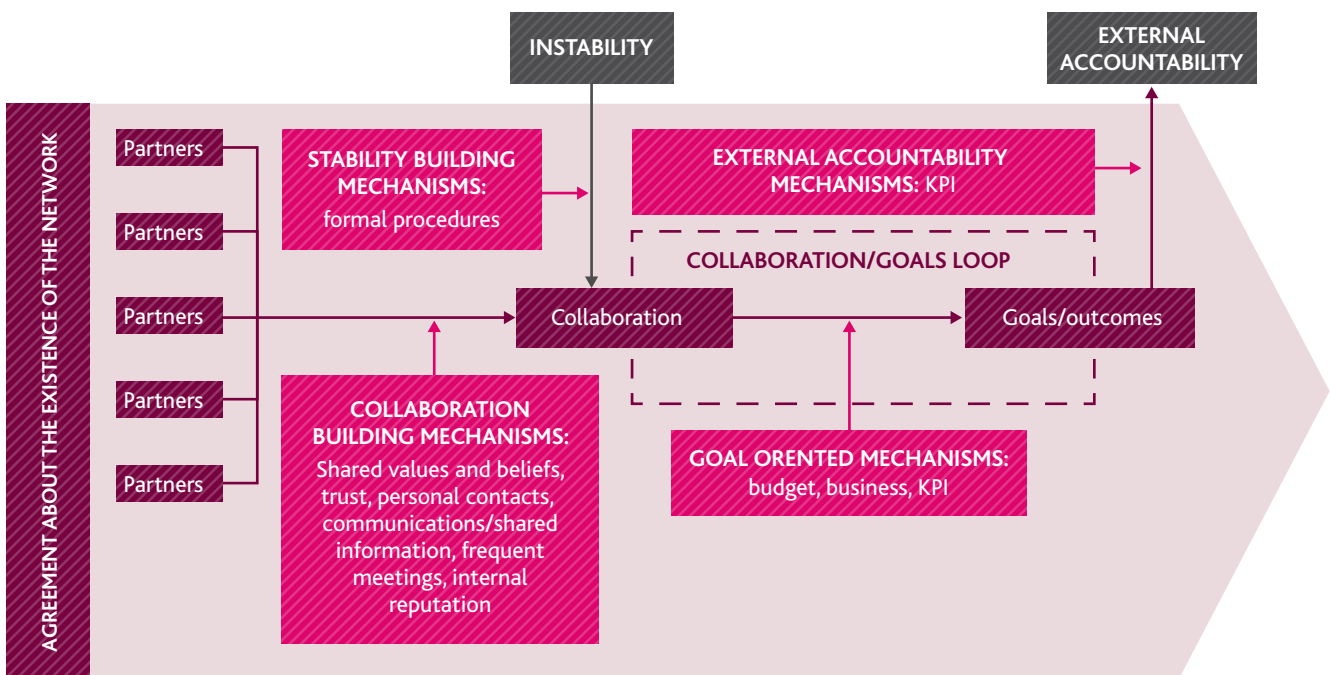
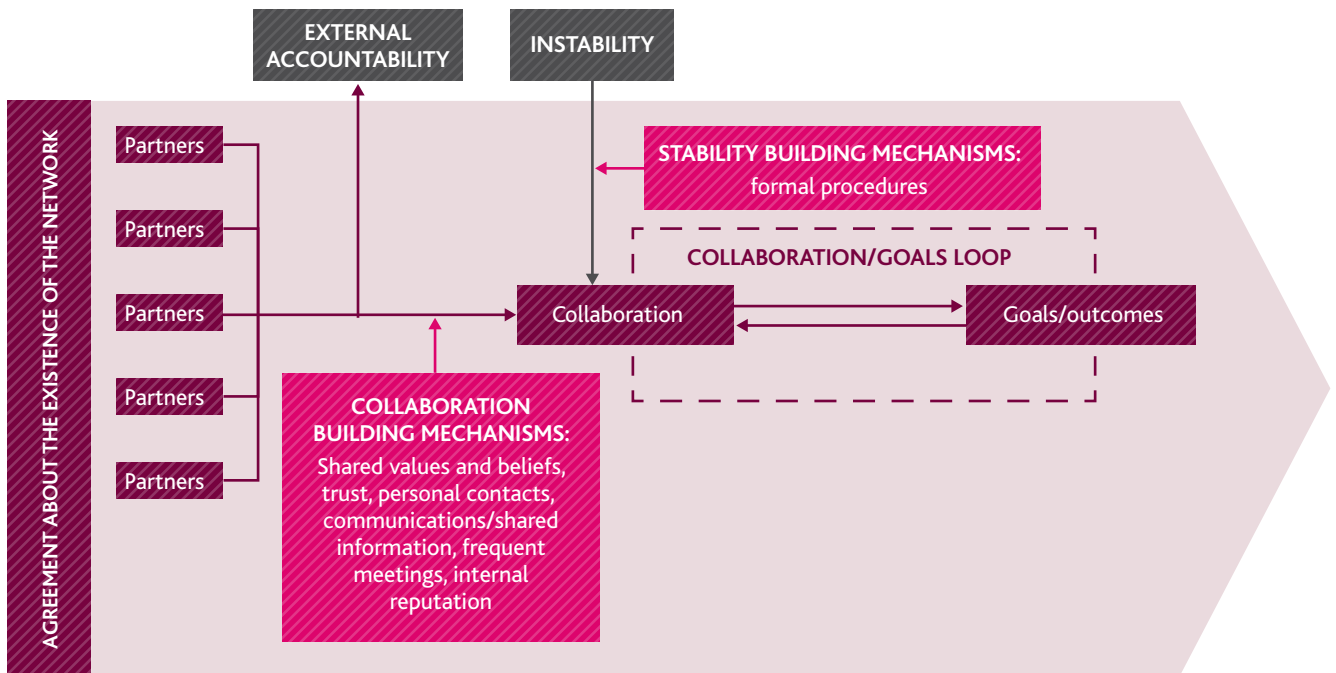


FIGURE 2: ITALIAN CASE STUDY



Both networks were initiated with agreements signed by the partners. These agreements state the aims of the network and the main actors participating in the network, define the vision and the structure of the network, and are complemented by a wide set of other control mechanisms.

These mechanisms seem to be devoted to developing collaboration among partners to achieve the purposes/goals for which the networks have been established. In both cases, we observed collaboration to be the result of the combination of shared values and beliefs, trust and facilitative behaviours such as personal contact, frequent communication and information sharing. Trust in particular has been observed to be the most important mechanism to strengthen. A statement from the network manager of the Italian organisation discusses this further:

*‘There is trust, a lot of trust, this is fundamental for fostering collaboration so that partners take on responsibility for these women’ [UK Network Manager – October 2014].*

TABLE 2: SUMMARISING CHARACTERISTICS OF THE TWO NETWORKS

CHARACTERISTICS	UK CASE STUDY	ITALIAN CASE STUDY
TYPE	Welfare mandated partnership (Children’s Act 2004)	Welfare mandated partnership (1 <sup>st</sup> Agreement 2008, 2 <sup>nd</sup> Agreement 2013)
MEMBERSHIP	Around 10 statutory (public agencies) and others non-statutory (mainly NGOs)	8 statutory (5 belonging to the municipality: the centre for protection of women from domestic violence, the centre for family relationships support, the office for elderly, the office for child protection, the immigrant integration office; the court, the police and the health authority) and other non-statutory organisations (mainly NGOs). Among the two non-statutory NGOs who have an active participation in the network are: an agency active on the re-integration of women at work and a centre for the care of abusive men.
LIFE SPAN	Since 2005	Since 2000
FREQUENCY OF MEETINGS	Bimonthly	Monthly
ROLE	To challenge what is done by each of the partners with regards to safeguarding children in the borough	To protect women from domestic violence
GEOGRAPHICAL COVERAGE	Borough council	Town council
FUNDING SYSTEM	Pooled budget (contributions of each of the statutory members)	The network receives public funds from the regional government

Therefore a first message emerged from our analysis:

**KEY FINDING 1:** Shared values and beliefs, as well as trust and facilitative behaviours, encourage the building and maintaining of collaborative relationships among network members.

We observed that what we have labelled as collaboration-building mechanisms do not necessarily work spontaneously among network partners. Often it is the network managers who try to instil a ‘sense of active collaboration’ beyond management accounting mechanisms. In this respect, network managers use management control mechanisms to transmit ‘collaboration-building’ messages to network members, especially during formal meetings.

Our analysis shows that network managers remind partners of the value of their work and help them better understand each other’s work. They also initiate learning processes.

**KEY FINDING 2:** Building collaboration is a critical part of the work of network managers. They must pay attention to a range of activities and elements.

We found reputation among members (namely internal reputation) to be an informal accountability mechanism between partners in the UK organisation, supporting collaboration. For example, the network manager in the UK case study clearly differentiated between partners who try to work together effectively and others who remain passive listeners. The former seem to have incentives to behave collaboratively and improve

their reputation. This can be useful in future collaborations or in other collaborations already in place. In other words, internal reputation seems to work as a catalyst for building collaborative work. As the lead member of the UK network said:

*‘You know I mean if somebody from [ANONYMISED] Housing came and said, ‘Look we’ve got a real problem with this’ or the police came and said, ‘We’ve got a real problem with that’ then the Board would listen to them, you know they’ve got the respect and..., you know the trust [in] that person... they know they’re not just going to try to get out of the job’ [UK Lead Member for Children’s Services (local councillor) – July 2014]*

**KEY FINDING 3:** Internal reputation seems to be perceived as an incentive, which can boost partners’ collaborative behaviour.

The level of collaboration is considerably affected where there is dynamic change and discontinuation of membership due to organisational decisions or changes in legislation, such as the recent job cuts in local governments that have hampered the participation of some partners, especially in the UK. This threatens the effectiveness of those mechanisms that we have identified as ‘collaborative building mechanisms’. Our interviewees have pinpointed the rise of the problem of making networks function well despite these phenomena.



The following quote is particularly revealing:

*‘The more stable you are, as a senior management group, (...) the more able you are to influence better outcomes for children; the more chaotic and the more change there’s been at a senior management level and the leadership is kind of more changeable then the more likely is that you have poorer outcomes, or a poorer Ofsted rating.’ [UK Assistant Director of Children Services – August, 2014]*

In both case studies, we have observed the introduction of formal procedures aimed at infusing stability into these types of network. Such procedures are particularly consolidated in the UK but are still under development in Italy. They could be interpreted as ‘action controls’ (Merchant, 1998), setting out detailed lines of behaviour for every partner organisation. These procedures try to delineate the role and the activities each partner is supposed to carry out in the network. Doing so, they show how the network partners are linked. However, they alone seem insufficient to support partners’ work and collaboration. These procedures seem to have been written with the organisational boundaries in mind rather than the network activities and aims – they therefore do not have the organisational flexibility that is required. The protocols do not seem to stimulate dialogue between partners, and limit their activities to what is prescribed by the organisational mandate.

**KEY FINDING 4:** Formal procedures are useful for dealing with member instability but may hinder flexibility and dialogue between partners.

The orientation of partners towards achieving network goals is supported in the UK through ‘goal-oriented mechanisms’ such as budget, business plan and KPIs. KPIs, in particular, are mainly defined by the government who mandates the network. They not only clarify the aims of the network but also support its external accountability. External reputation is an important motivator in terms of achieving goals, even if we notice that it can discourage partners from taking responsibility over grey policy areas for fear of public perception of ill-compliance. One of the LSCB respondents reflected extensively on this issue:

*‘Public inquiries... are very black and white, aren’t they, public inquiries... and that is damaging, I think, because everyone becomes frightened then and because they’re frightened, they become more risk-averse... When they’re risk-averse, I think they over-exaggerate every issue. They make it more serious than what it necessarily is... because they don’t want to damage their future career...’ [UK Detective Chief Inspector – October 2014]*

**KEY FINDING 5:** Goal-oriented mechanisms support external accountability and create incentives for the achievement of network goals through external reputation. However, external reputation also creates risk-aversion, which may affect collaboration in other ways.

In Italy, we found a lack of formal mechanisms supporting the achievement of network goals. This was the result of the lack of direction from the public agencies that mandated the network and the lack of recognition regarding the network manager. However,

neither of these issues prevent networks from reaching its goals. They therefore do not inevitably lead to failure, even if they result in greater misspecification of roles and tasks, an increased level of task uncertainty, and indecision within the network. We found that when stalemates and/or problems occur, informal leadership by the most respected partners was key. For example, the informal influence of psychologist managers in local healthcare organisations in Italy is also recognised by the network manager.

**KEY FINDING 6:** Informal leadership can overcome any lack of formal control mechanisms and can play a critical role in the achievement of network goals.

Collaboration and achieving goals are two elements of a cyclical loop; each time a goal is reached, the tendency to collaborate is reinforced.

In the UK, this loop is stronger, given the focus on the measurability of network goals to foster future collaboration.

In Italy, the inability to measure the fulfilment of shared goals precisely weakens the loop between collaboration and goal achievement. External accountability is therefore more significant in promoting collaboration.

**KEY FINDING 7:** Collaboration and the achievement of goals appear to be two elements of a cyclical loop that is strengthened when goals are tracked and measured systematically.

#### Italian Case Study

The Italian case study refers to a network created in 2008 in North Italy for the protection of women from domestic violence. The network is composed of eight statutory members, five belonging to the municipality in which it was created (i.e. the centre for protection of women from domestic violence, the centre for family relationships support, the office for the elderly, the office for child protection, the immigrant integration office), and others such as the courts, the police and the health authority. There are also non-statutory, principally non-profit, organisations. None of these partners is legally required to participate in the network.

#### UK Case Study

The UK case study is of a Local Safeguarding Children Board (LSCB) in North England. LSCBs represent mandatory networks created to safeguard children. They were formally introduced in 2006, but most local authorities established them in 2005 after the Children’s Act (2004) stipulated partners’ statutory duty to collaborate.

The core agencies involved in the LSCBs are social services (children’s services and adult services), the education and health authorities, Connexions (an organisation offering employment advice to young people), the Child and Family Court Advisory Service, local probation boards, Youth Offending Teams, local prisons and the police. Voluntary and community sector organisations may also choose to get involved but are not legally obliged to do so.

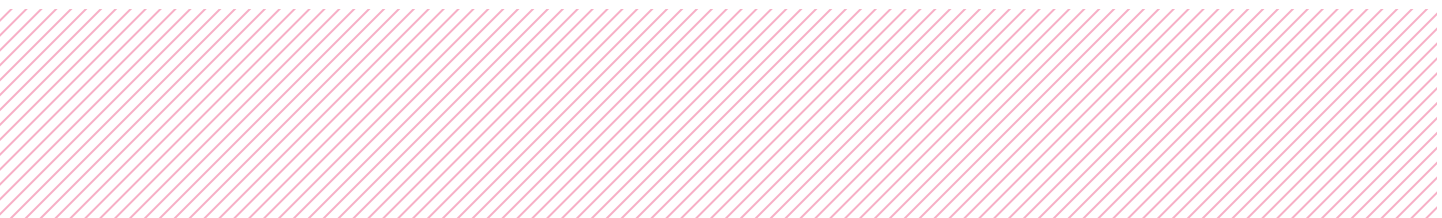
# CONCLUSIONS – LESSONS LEARNED FROM THE RESEARCH

*We analysed two collaborative networks that deal with ‘wicked’ problems. The two case studies are complementary in a number of ways. The UK LSCBs have numerous fixed KPIs, whereas the Italian case has none...*

Given the widespread practice of formalised collaborative work in the UK public sector, LSCB members are subject to internal reputation; this is largely missing among Italian partnership members. The UK case study also presents evidence of external reputation. This type of control is also absent in the Italian example. Complementarity was a real advantage in this comparative analysis, as it allowed us to observe to what extent ‘missing’ control items were essential to reaching the goals of the partnership.

One key finding from the study showed that while formal leadership was more prevalent and indeed more recognised in the UK case, the lack of it in the Italian partnership did not hinder the achievement of goals. Equally, the lack of formal controls for the Italian partnership, while bringing with it an inevitable degree of uncertainty, did not jeopardise the joint service provided to its vulnerable users. Informal leadership can compensate for a lack of formal controls in such cases, or in this type of partnership (mandate welfare partnerships). Formal leadership, however, is strong and recognised, such as in the English LSCBs. It aims to resolve any inevitable uncertainties not dealt with by formal control mechanisms. The implication of this finding for policy and practice is that easing measurement and controls for LSCBs in the UK would not disadvantage service users.

In the UK, goal-oriented mechanisms are stronger than in Italy, as the UK government emphasises performance measurement and formal control. This is reinforced by the government’s concern with comparability and benchmarking between networks as well as accountability. Such formal mechanisms are welcome internally by network members as they clarify the network’s aims, and can improve stability and self-regulation in times of dynamic change. They would also be welcome in Italy as our Italian network respondents felt the need for more active involvement of policy makers to define clear goals, accurate key performance indicators and procedures for the network. While formal controls may reassure professionals that they are doing the right thing, they may, however, have little impact on whether or not goals are being reached. This may seem counter-intuitive, yet may provide a welcome explanation for why public sector networks seem to be working with, as well as in the absence of, formal controls. Our conclusions come, nevertheless, with the limitations imposed by the nature of the case study methodology (Yin, 2003). Further research is required to strengthen this evidence.



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