

Public Sector Reforms in Ukraine:

Roles Played by Global and Local
Agents in Implementing Converging
and Diverging Changes

Veronika Vakulenko

NORD UNIVERSITY BUSINESS SCHOOL

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*To my caring, loving family.
The nano-part of Ukrainian society.*

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Veronika Vakulenko

Bodø, 2019

Synopsis

To date much has been said about public sector reforms worldwide. Diffusion of similar reform ideas is evident, as numerous studies confirmed implementation of reform packages, which in many cases were guided by the New Public Management agenda. At the same time, the debate on public management reforms' implementation varies. While some studies provide successful examples of the implementation of new public management practices, the others point to failures of reforms in achieving their goals. Despite a growing debate on promises and results of public sector reforms, relatively less is known about the role of an individual actor or groups in the reform process and their influence on the reforms' outcomes.

The thesis aims at furthering the understanding of roles, actions of and inactions between change agents at different organizational levels during a complex process of public sector reforms, which might have diverging outcomes. Specifically, the thesis explores *how global and local change agents influenced the process of public sector reforms and how this reflected on reforms' outcomes*. Theoretically, the thesis is framed around the discussion of the tension between exogenous and endogenous pressures for convergence and divergence and combines concepts from neo-institutional and cognitive theories to shed light on change agents, their roles and interactions during public sector reforms. Contextually, the thesis focuses on the process and results of the reforms in a Central Eastern European country – Ukraine.

The thesis is structured as a collection of four papers. First, the readers are introduced to the development of public sector reforms in Central Eastern Europe and former Soviet Union countries through an analysis of reforms' trajectories over 1991-2017 (Paper 1). The following three empirical qualitative papers focus on change agents, their actions and interactions between them in three different public sector reforms' cases in the context of Ukraine. In particular, interaction between global and local change agents during the public financial management reform (Paper 2), the

interaction between change agents within a country on macro- and meso-levels during the healthcare financial system reform (Paper 3) and micro-level change agents' perceptions of and actions when facing incented voluntary amalgamation reform (Paper 4).

Finally, the thesis makes several contributions. It contributes to the debate on public sector reforms in developing countries by discussing the tension between pressures for convergence and divergence as an interactive process between change agents on multiple organizational levels. By addressing such issues as global vs local reform agendas, reform ideas vs practices, and practice diversities conditioned by cognitive processes, this study stresses the importance for considering change agents as those influencing and transforming public sector practices.

Key words: public sector, reforms, agents, change, Ukraine

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List of abbreviations

ABS – (Chartered) Association of Business Schools

ATC – amalgamated territorial community

CEE – Central Eastern Europe

CIS – the Commonwealth of Independent States

EBRD – the European Bank for Reconstruction and Development

EE – Eastern Europe

EU – the European Union

FSU – former Soviet Union

GDP – gross domestic product

IBRD – the International Bank for Reconstruction and Development

IFIs – International financial institutions

IMF – the International Monetary Fund

LGA – local government A

LGB – local government B

MoF – Ministry of Finance

NGOs – Non-governmental organizations

NPG – New Public Governance

NPM – New Public Management

NWS – Neo-Weberian State

OECD – the Organization of Economic Cooperation and Development

PFM – “Public Finance Modernization” project

PSRs – public sector reforms

USAID – the United States Agency for International Development

USSR – the Union of Soviet Socialist Republics

WB – the World Bank

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Summary paper. “Public sector reforms in Ukraine: roles played by global and local agents in implementing converging and diverging changes”

*Change as a phenomenon is a normal part of everyone’s life.
Everyone is a change agent.
(Ottaway, 1983, p. 379)*

Introduction

The end of the 1980s and the early 1990s were marked by a significant event – changing economic, political, and social landscapes in Central Eastern Europe (CEE) (Gill, 1992) through reorientation towards free markets. CEE countries with similar traditions of public administration built on principles of socialism and planned economy faced significant economic transformations and had two options for reconstructing their public sector practices: “rebuilding on ruins” or “rebuilding with the ruins” (Stark, 1996, p. 995). This was a difficult choice for the newly established states, which were unfamiliar with market rules and capitalism (Hogan, 1991). Depending on the speed and scope of public sector reforms (PSRs), governments chose radical or incremental approaches to PSRs or a combination of the two (Bouckaert *et al.*, 2011).

In the course of time, the dynamics of the reforms have been influenced by external (often interconnected) pressures, such as the effects of the financial crisis (Peters, 2011; Foster and Magdoff, 2009), diffusion of practices by international financial institutions (IFIs) (Neu *et al.*, 2008), and isomorphic mimicry (Krause, 2013). Such exogenous pressures promoted the implementation of similar packages of PSRs, often guided by the New Public Management (NPM) agenda (Hood, 1995). Nevertheless,

“each country makes its own translation or adaptation” (Ferlie *et al.*, 2005, p. 721). This depends on local factors, such as political features, the historical background of a country (Chistensen and Lægheid, 2007), local culture, status of economic and/or political elites and the level of democracy. As a result, diverging trends of “complex mixtures of public management reforms” (de Vries and Nemeč, 2013, p. 10) aroused scientific interest, which materialized in studies of reform menus (Pollitt and Bouckaert, 2017), successful examples of the implementation of new public management practices (Verheijen and Dobrolyubova, 2007; Dan and Pollitt, 2015) or failures of reforms to achieve their goals (van Helden and Uddin, 2016). Despite a flourishing debate on PSRs’ promises and results (Guthrie *et al.*, 1999; Hyndman and Lapsley, 2016), relatively less attention was paid to the role of individual actors or groups in the process of reforms. How do various actors and groups of actors interact, engage in, implement, resist or support reforms? How can their actions influence the outcome of PSRs?

Thus, this study focuses on actors, their roles and interactions during PSRs. To shed light on the role of agency, the concept of change agents was chosen. Change agents can refer to internal or external individuals or groups (Grandia, 2015) at any organizational level (De Caluwe and Vermaak, 2003) seeking to change established systems or practices. In the context of the public sector, change agents appeared as innovators and change champions (Faustino and Booth, 2014), institutional entrepreneurs (Argento *et al.*, 2018), reformers in the face of the country’s central government (Hirsch and Bermiss, 2009), networks of engaged agents (Andrews, 2015) such as external consultants (Adhikari and Jayasinghe, 2017) and influential international donors (Neu and Ocampo, 2007) and, more recently, agents acting collectively (Booth, 2012; Brinkerhoff and Wetterberg, 2015). Surprisingly, however, the findings in this area seem to be rather limited, as discussions on the role of change agency and the influence of actors on the process and outcomes of reforms in

developing countries are scarce (Adhikari and Jayasinghe, 2017; Adhikari *et al.*, 2019), especially in a global-local setting and regarding individual-collective agency.

In this respect, the thesis aims to extend the understanding of roles, actions of and inactions between change agents at different organizational levels during a complex process of PSRs, which might have diverging outcomes. Specifically, the thesis explores *how global and local change agents influenced the process of PSRs and how this reflected on reforms' outcomes*. The research context of the thesis focuses on the process and results of PSRs in a CEE country – Ukraine.

The thesis is structured as a collection of four papers. The first is a literature review, and the other three are qualitative research papers. In the course of the thesis, the empirical setting zooms in by studying PSRs in different yet related contexts. First, the readers are introduced to the development of PSRs' trajectories in CEE and former Soviet Union (FSU) countries through an analysis of reform patterns across 28 selected countries (Paper 1). Next, the focus is directed towards Ukraine, which also faced challenges of transition that required overwhelming institutional changes (Tilcsik, 2010) in almost all public sector spheres. The following three empirical studies focus on change agents during three different PSRs in the context of Ukraine. In particular, the first empirical paper (Paper 2) discusses the role of IFIs as global change agents and their interactions with the Ukrainian central government during the public financial management reform. The second empirical paper (Paper 3) explores the interaction between change agents at central and local governmental levels during the reform of the healthcare financial system. Finally, the last empirical paper (Paper 4) studies local mayors' perceptions, actions and interactions during incited voluntary amalgamation reform.

Given the research aim, focus and empirical context of the thesis, the following theoretical framework is chosen to exhaustively address the identified research gaps.

The theoretical frame of reference was inspired by a framework developed by Grossi *et al.* (2018). The authors focused on tensions between exogenous and endogenous pressures for convergence and divergence in implementing a new instrument: performance-based budgeting, by combining such neo-institutional concepts as isomorphism (DiMaggio and Powell, 1983), institutional logics (Thornton *et al.*, 2012) and ambiguities (March, 1978).

In this thesis, I combine concepts from several theories, namely neo-institutional theory and cognitive theory. The focus is on change agents (Ottaway, 1983), also known in public management studies as reform champions, policy entrepreneurs or reform leaders (Featherstone, 2015; Brinkerhoff and Brinkerhoff, 2015), both global and local in different reform contexts. In particular, I analyse the interaction between IFIs and Ukrainian central government to understand reasons of diverging outcomes of public financial management reform. Next, the concept of decoupling as an organizational response to institutional pressures (Meyer and Rowan, 1977; Boxenbaum and Jonsson, 2008) is revisited in the context of healthcare financing system reform. By emphasising the role of local governments during the prolonged reform, I point to decoupling on the level of central government, who ignored inconsistencies in local practices. Another concept is used to highlight the importance of psychological peculiarities and interpretations in decision-making processes that are subjectivity undermined (Vaassen *et al.*, 1993) during incited voluntary amalgamation reform. That is the cognitive style of individuals (Bourmistrov, 2017; Hall, 2016). The reason for choosing neo-institutional theory as a lens rests on its advantage in “versatility in moving across various levels of analysis” (Scott, 2017, p. 866). The psychological approach was chosen because it provides an opportunity to explore the micro-foundations of public sector change by descending to the level of individuals and their perceptions of reforms.

Therefore, after combining empirical findings framed within a chosen eclectic theoretical framework, the thesis contributes to the debate on the role of agency during PSRs by studying a dynamic process of PSRs under pressures for convergence and divergence, during which different roles played by global and local change agents resulted in (un)expected outcomes of reforms.

The remainder of this summary paper is structured as follows. The next section introduces key concepts, which serve as building blocks of the thesis. Thereafter, the theoretical framework is outlined, to support the choice of selected theoretical lenses in studying the actions of change agents during PSRs. The fourth section outlines the research setting and methodological considerations. Last but not least, the main findings of the four papers are summarized. Finally, a concluding discussion is presented, outlining the main contributions and practical implications and suggesting directions for further research.

Conceptual ‘trinity’ of the thesis

This section aims at acquainting the reader with key concepts used in the thesis. By explaining *what* is being studied, I set and clarify research boundaries to justify the choice and position this study within the research debate.

Public sector reforms as a process and an outcome

Reforms in public sector represent “deliberate attempts to change the structure, processes, and/or cultures of public sector organizations with the objective of getting them (in some sense) to run better” (Pollitt and Bouckaert, 2017, p. 2). However, sometimes reforms might comprise an “elusiveness of change” (Pollitt and Bouckaert, 2003, p. 19). This does not only refer to actual implementation of reforms initiatives into practices. Even if PSRs were designed to address specific organizational problems

with seemingly better solutions, often they produce unsolvable problems or contradictions between new and existing practices (Brunsson, 2009).

The thesis was motivated by the interest in understanding the reasons why reforms, which initially aim at improving public practices, may have unintended results. In order to understand this kind of discrepancy, I decided to study the process of PSRs and their outcomes. Researchers have dedicated much of their attention to describe outcomes of PSRs, confirming positive changes and improvements (Bouckaert *et al.*, 2011) as a result of reforms' implementation, whereas others suggested that reforms caused unintended effects and disappointing results (Hood and Dixon, 2016). In this study in order to avoid normative judgements, I do not evaluate PSRs, as those with positive or negative outcomes. Rather, I differentiate between different degrees of implementation by defining three possible outcomes of PSRs. Such as implementation, during which the "talk-decision-practice-impact" sequence (Pollitt and Bouckaert, 2003, p. 20) is being followed with a close conformity between reforms' ideas and results. The lack of implementation depicts the situation when the sequence is disrupted by any reason and reform ideas do not correspond to results in practice. A compromised situation is partial implementation, which means that reform ideas were implemented, however not fully or with modifications.

In case of a dynamic approach to PSRs, rather than focusing on technical implementation of new public sector practice(s) *per se*, I study the interplay between intended changes and existing institutional environment, which consists of multiple actors with different historical backgrounds, practices and beliefs (Hernes, 2005). Thus, in this thesis, I attempt to link the process and outcomes of PSRs by exploring perceptions, actions of and interactions between individuals (or groups) during PSRs and try to explain why a particular outcome was reached. By highlighting the active role of agency during PSRs, in the following subsections I explain who are the change

agents, how they may influence PSRs' process and outcomes and in which way pressures for convergence and divergence come into play.

Exogenous and endogenous change agents

The concept of change agents originates from research on organizational change and portrays an individual or group of individuals, who implement a planned change through a deliberate effort aiming at improving a particular system (Lippitt *et al.*, 1958). Further studies added several important characteristics to a change agent's profile. The agent of change can relate to organization as an external or internal member and carry such functions as consulting and training (Bennis *et al.*, 1969); they break the status quo, energize the change and bring together other actors and resources to pursue the change (Havelock and Havelock, 1973). Since then research on change agents flourished in discussions of their tasks, skills, activities, order of appearance (Ottaway, 1983), phases within change agents act to achieve success (Armenakis and Bedeian, 1999), and more recently efforts of change agents to overcome challenges associated with changes that diverge from an institutional template (Battilana and Casciaro, 2012).

To define which actors can be characterized as change agents in the public management debate, I distinguish between two groups, i.e., global and local change agents.

Global change agents, also known as exogenous or those 'from outside' (Brinkerhoff, 2016), represent external actors to an organization, who exert significant influence on public sector practices. During the last several decades, management consultants were recognized as powerful exogenous change agents (Lapsley and Oldfield, 2001). As major levers in the process of transformation of public practices (Saint-Martin, 1998), management consultants possess valuable intangible resources, such as knowledge

and expertise (Laughlin and Pallot, 1998), which entitle them to advise governments worldwide on multiple aspects of PSRs.

Probably one of the most influential global consultancy machineries are IFIs, who carry missionary activities and possess substantial economic capital to enable the constitution of public management practices in distant locales (Neu *et al.*, 2006). The International Monetary Fund (IMF), the World Bank (WB), the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD), and the Organization of Economic Cooperation and Development (OECD) recruit competent experts with sound expertise, who provide technical assistance to the governments and public organizations on desirable public changes. Recently, IFIs have been actively promoting PSRs, such as privatization, performance management and measurement, and public services outsourcing (van Helden and Uddin, 2016), which were reflected in a number of studies dedicated to appropriateness of exogenously driven changes (e.g., Tallaki and Bracci, 2019; Adhikari *et al.*, 2013). However, both consultants and public organizations that receive consultancy services still remain a black box particularly for public management researchers (Lapsley and Oldfield, 2001). How external change agents know that their advices may become a panacea to problems in local public sector practices? How to collaborate with endogenous actors, who do not necessarily conform suggested changes? These questions will be addressed in the thesis.

Moving further, I focus on local or endogenous change agents, those, who lead the change 'from inside' (Brinkerhoff, 2016). In the context of public management, local agents may refer to reform champions, policy entrepreneurs or reform leaders (Featherstone, 2015; Brinkerhoff and Brinkerhoff, 2015). In principle, any actor at any organizational level can act as a change agent (De Caluwe and Vermaak, 2003). However, I would like to narrow down the focus and define only two sets of endogenous change agents (Brunsson, 2007, 2009): those, who produce talks and

decisions on PSRs – reformers, and those, who implement and deal with the changes in practice – reformees. Given the focus of PSRs, reformers are actors, located on the central governmental level, civil servants at ministries and state agencies, and deputies in the Parliament, who develop reform packages and materialize them through strategies, concepts, legal acts, regulations, or decrees. They act as change agents by holding responsibility for initiating, directing and managing change initiatives (Caldwell, 2003), that is introduction of PSRs, which according to reformers' expectations are to be complied (Brunsson, 2007). However, reformers' role is much more important than a simple initiation of changes in public sector practices. In order to achieve a desired change, reformers need to ensure stability of talks and decisions to avoid potential complications during reformation process and contradictions of reforms' outcomes (Brunsson, 2007).

At the same time, those actors, who face reforms from the top, may also act as change agents. These actors include local governments on regional and municipal levels, and individuals: local mayors and other local civil servants. Their role as change agents highlights the activeness of their responses to PSRs, which may diverge from reformers' ideas. In this situation, the interaction between reformers and reformees is encouraged to establish a correspondence between reform ideas and practices (Brunsson, 2007).

The brief outline of agents-in-focus of this thesis clarified which actors may become change agents during PSRs. In the next subsection, I discuss how change agents act during the pressures for convergence and divergence on PSRs.

Pressures for convergence and divergence: from outside and within

The global trend for PSRs' convergence is evident (Kettl, 2005; Hughes, 2003). As mentioned previously, IFIs became the main promoters of neoliberal reforms throughout the world, thus encouraging national states to converge towards similar

models and frameworks (Alasuutari and Rasimus, 2009). As a result, IFIs orchestrate pressures for convergence through international coercion, which means that they, as global change agents, “influence the policy choices of governments directly or [...] change the outcome of a domestic policy struggle by favoring the domestic coalition supporting a given policy” (Henisz *et al.*, 2005, p. 874). The most remarkable example of such pressures is the support from IMF, when a country faces financial crisis and has to accept the IMF’s conditions, who guarantee to provide financial and technical support conditional on the implementation of PSRs, and in case of reforms’ failure sanctions can be imposed (Vreeland, 2003). In this situation, countries accept such ‘rules of the games’ due to financial instability. Thus, a global converging trend of the diffusion of similar reform packages by international donors has been recently observed (Grossi *et al.*, 2018).

At the same time, diverging trends of PSRs are evident. As multiple country cases showed, reforms are rarely implemented in their “pure sense” (Khodachek and Timoshenko, 2018, p. 460). Recently more studies have emphasized the importance of the “configuration of the local field” (Neu *et al.*, 2008, p. 58; Rahaman and Lawrence, 2001), which brings up the tension between the exogenous and endogenous pressures for convergence and divergence.

Here, the importance of local change agents should be highlighted. As Alasuutari and Rasimus (2009, p. 90) noted: “national policy-makers have an active role even in cases in which external actors such as the IMF or the WB can exercise coercive power, because external pressures are mediated and processed by local actors promoting specific interests and policy paradigms”. Indeed, the actors’ perceptions of effective government depend on the local context of a specific country. Depending on such contextual factors as the degree of political influence, structure of the civil service, levels and types of decentralization and other institutional characteristics, the

outcome of PSRs may differ (Andrews, 2010). Thus, local change agents aiming at protecting the status quo can modify, adjust and adopt divergent reforms.

Despite being widely discussed, it is important to mention that tensions between convergence and divergence do not only appear in discussions of a global-local dialectic. Similar processes might also be observed within a single country, when the central government implements reforms and might face divergent responses on sub-national levels. Change agents on central governmental level may also exert coercive pressures through introducing regulations and laws, which would require local actors to accept and implement PSRs. However, as briefly discussed in previous subsections, introduction of new practices might cause several ambiguities, which local (i.e., sub-national) change agents face when trying to implement the reforms. Multiple practical ambiguities, such as contradictory preferences, incoherence between problems and actions, wrong interoperation of received information (Grossi *et al.*, 2018) can result in practice divergence of PSRs implementation.

Theoretical framework

This section provides an overview of theoretical lenses used in the thesis, explaining *how* the chosen concepts are studied.

The theoretical frame of reference of this thesis was developed based on Grossi *et al.*'s (2018) framework (Figure 1.1), which discusses the tension between external and internal pressures for convergence and divergence in introducing performance-based budgeting. This reform (along with other PSRs') was supported by international donors as a part of NPM agenda, which resulted in a global trend towards implementation of similar performance-oriented reforms (Grossi *et al.*, 2018) formed by exogenous isomorphic pressures (DiMaggio and Powell, 1983) for convergence. The implementation of performance-based budgeting was also shaped by several endogenous pressures. Specifically, pressures for convergence represented by

institutional logics (Thornton *et al.*, 2012) of central government pursuing modernization policies. At the same time, the authors suggested that pressures for divergence caused by ambiguities (March, 1978) in practices resulted in diversified ways of performance-based budgeting implementation and use. Thus, Grossi *et al.*'s (2018) framework focused on the process of performance-based budgeting development by studying exogenous and endogenous pressures for convergence and/or divergence through lenses of neo-institutional theory and ambiguity theory.

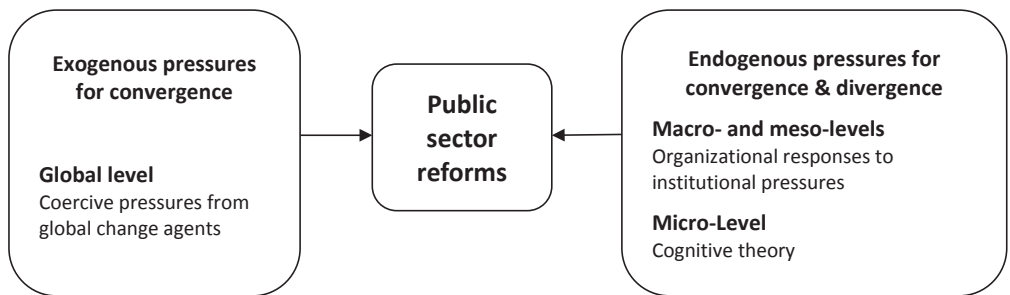


Figure 1.1. Public sector reforms' development as tension between convergence and divergence (based on Grossi *et al.*, 2018)

To answer the research question of the thesis – *how global and local change agents influenced the process of PSRs and how this reflected on reforms' outcomes*, the combination of the following theoretical approaches is used. Namely, neo-institutional theory, which recognizes the role of agents during institutional change, and cognitive theory, which studies mental processes that condition actors' behaviour.

Neo-institutional theory on agency and change

A focal assumption of institutional theory states that institutional environments exert a powerful influence on organizations for conformity (Oliver, 1991). In order to conform to social expectations, organizations adopt similar structures, which decreases organizational variety and increases institutional stability (DiMaggio and Powell, 1983). This statement prevailed in traditional institutional streams and inspired

researchers to move further the understanding of isomorphic processes in organisational fields (DiMaggio and Powell, 1983; Scott, 1991; Boxenbaum and Jonsson, 2017), legitimacy (Meyer and Rowan, 1977; Deephouse *et al.*, 2017) and organizational responses to imposed pressures, such as conformity, decoupling or resistance (Lawrence *et al.*, 2002; Oliver, 1991). However, this approach was criticized for overemphasizing adoption and persistence of practices and structures and for neglecting the role of agency in producing practice divergence, since institutional theorists assumed that actors were made up from broader scale arrangements and beliefs (Lounsbury, 2008, p. 355). Thus, their role in institutional dynamics was not considered as essential.

Recently the shift in institutional theory was marked with attempts to explore in which situations and for what reasons agents “do not conform to social convention and, instead, challenge the institutional fabric by initiating nonisomorphic action” (George *et al.*, 2006, p. 347). This resulted in development of such streams as institutional logics (Thornton *et al.*, 2012), institutional work (Lawrence *et al.*, 2009) and institutional entrepreneurship (Battilana, 2006), all aiming at addressing the gap of scarce attention to human agency. Studies resting on these theoretical positions, suggest that human agents are empowered to apply their capacities to perform creative and innovative practices (Battilana and D’Aunno, 2009), which presupposes that despite being structurally embedded actors might challenge existing status quo. As a result, actors may act as change agents, who initiate divergent and non-divergent changes¹ (Battilana *et al.*, 2009) to transform existing practices.

¹ It is important to highlight, institutional entrepreneurs is a particular category of change agents, who initiate specifically divergent changes that break institutional templates, whereas change agents belong to a broader category of actors, who can produce as well non-divergent changes (Battilana *et al.*, 2009).

Nevertheless, the critique of actor-centric approaches for being ahistorical and decontextualized, calls for more process-centric approaches in studying an institutional change (Hardy and Maguire, 2017). Specifically during process of institutional reform, the actions of change agents were barely addressed (Brinkerhoff, 2015). This study aims to follow this call and to use agency perspective in order to understand the process of institutional change by analyzing change agents' perceptions, actions and interactions.

Psychological approach to an individual's cognition

The full understanding why change agents engage into divergent changes would not be possible without examination of an individual's perceptions of external social environment. By focusing on how individuals interpret and structure information, make decisions and behave opens up the world of cognitive micro-foundations of organizational change.

Initially, cognitive approach is rooted into psychological discipline and celebrates diversity of mental processes, through which individuals process information and operationalize knowledge, which consequently defines the pattern of human behaviour (Spicer, 2000). Depending on personal predispositions, such as experience, cultural background, and character, change agents may follow different strategies when dealing with changing external conditions (Kozhevnikov *et al.*, 2014). For example, change agents with analytical cognitive style tend to accept changes, whereas those with intuitive style are more likely to resist (Markus, 1983). By applying multiple indicators of an individual's cognitive styles, e.g., Myers-Briggs Type Indicator (Myers, 1962), or Thinking Style Inventory (Sternberg and Wagner, 1991), the understanding which change agents are more likely to initiate divergent changes might be reached.

Despite rich classifications of individual's cognitive styles and mental models, the importance of individual cognition "as a mediator of the relationship between environmental events and organizational action" is surprisingly overlooked (George *et al.*, 2006, p. 360). In this thesis, I argue that the way people think and solve problems pre-defines the type of decisions they make and the pattern of their interactions with others. Thus, the analysis of change agents' cognitive processes may offer new insights on diversity of responses to similar exogenous events.

Methodology

Empirical setting: the Ukrainian story of public sector reforms

In the late 1980s – early 90s, countries in CEE, challenged by the USSR dissolution, commenced transition from central planning to a market economy, by abolishing inherited socialist structures and establishing democratic principles (Nemec, 2008). The emerging states faced significant economic challenges: inflation, interruptions in trade and increasing unemployment, to name only a few. Realizing the need to move to economic systems built on free markets, these countries initiated PSRs to replace "an inefficient system, rife with distortions" (Godoy and Stiglitz, 2007 p. 2) and to transform "governments into a 'servant' of the people" (Rice, 1992, p. 116).

From the first days of independence, CEE countries followed different patterns of PSRs, as reform priorities and content diverged, depending on external and internal environments (Nemec, 2008). The Ukrainian case stands out from the group, due to the struggle of the Ukrainian government to implement comprehensive PSRs, which made "Ukraine's road to a market economy [...] very complicated and painful" (Malyarenko and Salamatov, 2008, p. 317).

The early years of Ukrainian independence were marked by the fastest drop in industrial production in the CEE region (Malyarenko and Salamatov, 2008). Coupled

with a populist socio-economic policy, which materialized in “the government’s genuine desire to cushion the social effects of the economic crisis” (Kravchuk, 2001, p. 545), a significant rise in public and social expenditure caused an increase in the budgetary deficit and hyperinflation. The Ukrainian financial system functioned with limited fiscal discipline and a lack of budgetary constraints in respect of state expenditure (Mikesell and Mullins, 2001), resulting in increase of accumulated arrears on wages, social benefits and pensions (IMF, 1997). In this situation, when the Ukrainian economy faced severe recession, a shortage of both financial resources and qualified experts, as well as the lack of the experience in conducting PSRs (Nemec, 2008), extensive support was provided by international donor agencies.

In the early stage of transition, extensive reform of public financial management was essential (Bird, 1992) for Ukraine to manage financial austerity. After becoming a member of the IMF, the European Bank for Reconstruction and Development (EBRD), and several institutions from the WB group in 1992-1994, the Ukrainian government collaborated with international donors, experts in particular public spheres, to tackle multiple challenges in the public sector. In the case of cooperation with the IMF, the priority was given to stabilization of the Ukrainian financial system, the implementation of structural reforms and the establishment of a basis for sustainable economic growth. Other donors, such as the EBRD, focused on strengthening energy efficiency, facilitating agricultural and industrial growth and providing infrastructural development. Moreover, several national agencies, e.g. the U.S. Agency for International Development (USAID), the European Union, Swedish government and other national governments, focused on improving democratic principles, transparency and local governance.

An important set of changes was observed in social spheres, such as healthcare (Nemec and Kolisnichenko, 2006). In 1991, Ukraine inherited the Soviet healthcare system developed by a USSR physician, N. Semashko, which prescribed free medical care to

every citizen and healthcare as an inherent right of every person; the state owned all healthcare facilities, and all people working in this sphere were state employees with fixed salaries (Roberts, 2009). However, for almost 25 years of reforms in the field of healthcare, the results were barely visible, despite support from the WB and the IMF. The reason for this was mainly due to a weak financial system and undefined roles of healthcare reform 'actors' (Nemec and Kolisnichenko, 2006).

From 2014, the Ukrainian government initiated several PSRs under a "decentralization" banner, aiming at increasing the financial sustainability of local governments. In particular, municipal amalgamation reform was initiated, to address the problems of local governments' fragmentation and their incapability to provide public services of a high quality to a local population. The central government announced a number of financial incentives to motivate municipalities to amalgamate, since the decision to merge was also decentralized. However, five years after the reform, some municipalities agreed to merge (e.g., over 2015-2018, more than 4,000 former local councils comprising around 9 million people merged into 878 amalgamated units). While others still perceive amalgamation with scepticism, showing divergent reform results within the country.

This thesis tried to shed light on some of the aforementioned problems, which Ukraine faced on its long journey of almost 30 years of PSRs.

Philosophical assumptions

Before a researcher dives into the field to study a chosen phenomenon, it is crucial that his/her first step is to establish the ontological and epistemological perspectives of the research². This is important because clarifying the ontological and epistemological

² In the interest of space, only chosen assumptions for this dissertation are explained.

assumptions at an early stage of the research (Easterby-Smith *et al.*, 2012) enables a strong foundation to be laid for a research design and strategy. The key philosophical and methodological assumptions are presented in Figure 1.2.

According to Gray (2004, p. 16), “[o]ntology is the study of being, that is, the nature of existence. While ontology embodies understanding what is, epistemology tries to understand what it means to know.” Therefore, ontological assumptions question whether social entities are objective and detached from social actors, or whether social entities are socially constructed by actors’ perceptions and actions (Bryman, 2012).

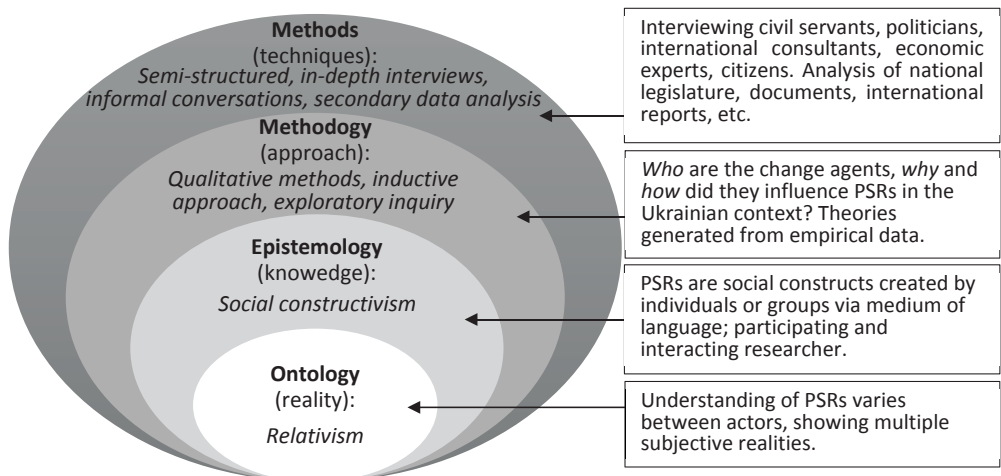


Figure 1.2. Philosophical and methodological assumptions of the thesis

Within social sciences, the following ontological assumptions are generally distinguished: realism, relativism and nominalism, depending on how objective or subjective the reality is (Easterby-Smith *et al.*, 2012). This thesis follows the relativistic approach, accepting that there is no universality of scientific rationality (Nelson, 1994). Thus, understanding “what is truth” may vary from person to person, as the reality is rather a human creation. For public management, the object of knowledge is government in its multiple relationships with society, which has an inherently unstable

and irregular nature (Raadschelders, 2011). As a social science, public management focuses on “real people who do real work” (Box, 1992, p. 66), which includes numerous actors operating in the public sector, such as civil servants, politicians, non-governmental organizations, interest groups and citizens whose interests vary. Therefore, as a researcher studying PSRs, it is vital to recognize meanings and interpretations of actors in focus, to construct the most accurate picture of social reality.

Epistemological assumptions suggest the methods for inquiring into social reality (Ritchie *et al.*, 2013). Therefore, depending on the initial ontological choice, epistemology is divided between positivism and social constructivism (Saunders *et al.*, 2009), which are generally seen as two opposite views on reality. Although a positivistic approach is also applicable in the sphere of public management (Tsoukas, 2000), this research follows constructionist assumptions, acknowledging the variation in social reality between different cultures or groups, instead of having a single objective view on reality. This choice is motivated by several reasons. First, in contrast to the natural sciences, where reductive simplification is widely applied, social scientists sometimes may not have a basis on which to decide which aspect of the problem to analyse (Raadschelders, 2011), due to the high complexity and changing nature observable in public management. Second, the study of government from the constructionists’ point of view enables an understanding of social reality creation through transforming social interaction (Bryman, 2012). Following this reasoning, the outcomes of PSRs represent the results of an interactive process and negotiation between multiple actors. Finally, public management is a variable multi-level phenomenon (Raadschelders, 2011). This means that it might be studied on several levels: global, macro (country level) and micro (individuals) levels, and the more contextualized it becomes, the more variability is observed, caused by cultural or cognitive diversities of actors.

Thus, relativist ontology and constructivist epistemology are selected as the standpoint of the thesis, which will further guide the research strategy, method, data collection and analysis. These respective methodological choices are discussed below.

Research design, methods and techniques

Methodology represents a combination of selected techniques used to inquire into specific knowledge (Easterby-Smith *et al.*, 2012). Following the chosen epistemological assumptions, the thesis is built on a qualitative research paradigm, which is considered to have better practical implications, as it is better accepted by “practitioners – the ‘end-users’ of scholarly knowledge” (Stout, 2013, p. 19). Additionally, the thesis follows an inductive approach in understanding PSRs through exploratory inquiry. The ambition of this research is to move beyond explanation and prescription, and to try to identify who are the change agents and why and how they influenced PSRs in the Ukrainian context. Thus, the theory is generated from empirical findings (De Vaus, 2001) to establish patterns, meanings and relationships (Gray, 2004). It is worth mentioning that, during my research, the applied inductive approach did not neglect the pre-existing theories. The identified concepts and research problem enabled the prediction of which theories might be useful for explaining the development of PSRs and analysing the role of the involved change agents.

At the heart of qualitative research lies the exploration of social phenomena related to individuals or groups (Creswell, 2013), who can be studied by ethnographic methods, case studies and observations and other methods (Chua, 1986). Based on research paradigm, inquiry and approach, the thesis uses case study as a method to understanding the process and outcomes of PSRs in Ukraine. This method is the most suitable for answering ‘how’ and ‘why’ research questions and it allows to capture holistic characteristics of real-life events, as for example, organisational or managerial developments (Yin, 2003). Thus, I consider this method to be appropriate to study

perspectives of different actors and focus on their perceptions of PSRs by providing research tools for an in-depth empirical investigation of contemporary phenomenon in its natural context (Robson, 2002). In this thesis, two types of case studies were applied: retrospective and comparative. Retrospective case studies belong to a type of longitudinal case study design, in which the data was collected after studied events or activities occurred, and the results of these events or activities are observed (Mills *et al.*, 2010). This approach is well-suited when analysing particular past periods of change, during which a critical event occurred (Yin, 2017). Another advantage of this method is that it allows to gather relevant data from multiple periods at once (Mills *et al.*, 2010). Retrospective case studies applied in Papers 2 and 3 enabled to trace the reform of public financial management and the healthcare financial system reform, distinguish stages of the reform (in case of Paper 2) and follow an elongated continuous course of the reform, which resulted in less successful reform's outcomes (Paper 3). Additionally, a comparative method was applied to compare and contrast two diverging cases of PSRs (Paper 4). This method widely applied in social sciences (Kaarbo and Beasley, 1999) proved to be relevant, as it enabled reaching an in-depth understanding of reasons for divergence in actors' responses to a similar reform initiative.

Given the focus of three empirical studies on several PSRs and the involved change agents at different governmental levels in Ukraine, the empirical data was collected through interviews and informal conversations and complemented with extensive analysis of secondary data. A summary of the research design and methods used in the thesis appears in Table 1.1. A more general overview of the data collection process, and the methods and procedures used for gathering empirical material is given below; however, each paper contains a detailed description of the research techniques applied in each study.

Table 1.1. Research design and methods

	Paper 1	Paper 2	Paper 3	Paper 4
Type of paper	Literature review	Research paper	Research paper	Research paper
Research design	Literature review	Retrospective case study	Retrospective case study	Comparative case study
Research setting	28 EE and FSU countries	IFIs and Ukrainian central government	Ukrainian central and local governments	2 local governments
Studied period	1991-2017	1991-2014	1991-2017	2014-2019
Data collection method	Systematic analysis of articles in peer-reviewed journals	14 interviews, 3 informal conversations and analysis of secondary sources	15 interviews and analysis of secondary sources	12 interviews, 2 informal group conversations and analysis of secondary sources

The following data sources were used for gathering empirical material.

Interviews with actors involved in PSRs in Ukraine were most important in acquiring knowledge about the studied phenomenon. The informants shared rich stories, which reflected the experiences and concerns of actors. However, depending on contextual circumstances (Papers 2 and 4), such alternative interviewing approaches as informal conversations were used for collecting data. Below, I focus particularly on interviews, as they were a dominant source of data.

Semi-structured in-depth interviews were used to allow flexibility during conversations. Initially, the general framework of themes was defined and listed in the interview guidelines. However, open-ended questions allowed freedom for both the interviewees to reflect upon a wider spectrum of issues connected to PSRs and for the researcher to customize questions, depending on the situation during interviewing.

Those interviewed represent various expert groups, specializing in different areas of the public sector, such as healthcare, financial management, budgeting, decentralization, amalgamation and cooperation with international financial organizations. The topic of PSRs might be considered sensitive, since it involves the interests of numerous actors, which might be opposing, contradicting and biased. Specifically, the process of PSRs cannot be detached from the political context within a country or even follow a pre-defined global reform agenda. Therefore, it is important to account for potential tensions among actors, e.g. representatives from opposing political parties, dissatisfied citizens or bureaucratic external consultants, and conduct research according to ethical norms exercised in the public sector. Therefore, I developed a specific pattern for collecting data, which proved to be the most appropriate for studying PSRs in the Ukrainian context (see Figure 1.3).

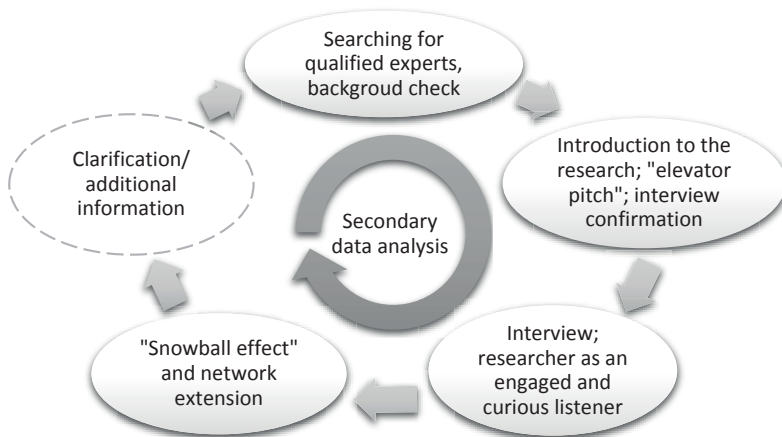


Figure 1.3. The process of data collection

In order to access the most accurate and relevant data, first and foremost, the right interviewees need to be chosen. To develop a good preunderstanding of PSRs, I performed an extensive overview of specific reforms and identified key actors involved in the process. Then, I conducted a background check of a particular interviewee to

confirm his/her expertise in the field. At this stage, it was also important to activate personal contacts to establish links with relevant interviewees. As Buchanan *et al.* (1988) noted, to conduct a successful research, it is important to have a good acquaintance working in the organization. Thus, I used my contacts in order to gain access to the Parliament of Ukraine and regional and local administrations.

Next, I contacted the interviewees directly, in order to arrange a meeting. In most cases, this was done by phone. Given the Ukrainian context, the civil service is considered rather stressful work, with regular overloads. I was therefore expecting them to have a limited time for conversation, and I tried to grasp their attention by using an “elevator pitch” technique, borrowed from the business environment. This means that, within 30 seconds, I was to present myself, describe my research topic, and explain why I needed the interview. All the interviewees expressed interest in current research and accepted the invitation to the interview. Some of the interviewees asked me to send them a short description of the research, with specific topics I would like to discuss.

Almost all the interviews were conducted in public venues, such as cafes or conferences, during non-working hours. However, in some cases, I was invited into the offices of respondents for conversation. The dominating language of the interviews was Ukrainian; however, in several cases, English and Russian were used, due to the diverse nationalities of informants. Upon meeting, the interviewees were once more provided with a brief description of the research and were offered the choice of anonymity, which was preferred by the majority. Consequently, throughout the papers, their names are omitted (see information about interviewees in Papers 2-4). As initially planned, the interviews were voice recorded. However, several interviewees refused to be recorded; therefore, extensive notes were taken of the conversations. On average, interviews lasted for 60 minutes, during which the researcher allowed interviewees to share freely their experiences and perceptions of

PSRs, only guiding the conversation in the right direction, to maintain the focus. During interviews, I occupied a neutral position, mainly acting as an engaged and curious listener. The main idea was to elicit as much relevant information from the interviewees as possible.

At the end of the conversation, I used a “snowball sampling” effect, by asking interviewees about other competent specialists in the area, who were also contacted in the same pattern as for the previous interviewees. An additional step during data collection was contacting interviewees after the interview was transcribed and analysed. This was done in order to clarify informants’ interpretations and expressions, to increase the validity of the data. Sometimes, an additional round of interviews was organized (in the case of Paper 3), aiming at addressing specific questions. It is important to mention that such cooperation with informants was reached only by establishing trustworthy relations.

As indicated in Figure 1.2, secondary data analysis was an essential part during the whole process of data collection. It is impossible to ignore texts, while conducting research (Silverman, 2005), since people are routinely, often extensively, involved in the production and consumption of documents, which can be seen as social facts. First, the national and international legal acts, official documentation, and agreements were studied, in order to conduct comprehensive background research on the process and outcome of PSRs in Ukraine and to identify key actors influencing this process. When preparing for the interviews, governmental reform strategies and roadmaps, news and press releases were analysed, to address changes initiated in the public sector. After the interviews, additional documentation was addressed, some recommended by interviewees, some found independently, to obtain a more nuanced picture of comprehensive PSRs.

Limitations and approaches for their mitigation

Having discussed the main philosophical and methodological assumptions, the attention of the reader should be additionally drawn to several limitations and the ways suggested to address them.

The first limitation concerns the professional background of interviewees. Due to their involvement in PSRs, politicians tend to oversell reforms (Brunsson, 2009), which can bias the information about the studied phenomena. To avoid bias in the information, the set of respondents was enlarged; thus, more neutral views of scholars and NGO representatives were considered. As appears in each paper, the interviewed individuals belong to heterogeneous groups, thus balancing the overall picture of PSRs.

The second and probably the most important limitation was human memory. Specifically, Papers 2 and 3 focused on the longitudinal process of PSRs, which may raise doubts regarding the accuracy of the interviewees' interpretations of past events (Menard, 2008). To address this issue, a special technique of "retrospective interviewing" (Czarniawska, 2000) was applied. The questions were phrased in such a way as to elicit important details about the reform. For example, interviewees were asked to compare recent changes with previous ones.

Finally, a limitation connected to linguistic issues of data interpretation should also be addressed. No difficulties were experienced during the process of conducting interviews. As a native speaker, I reached complete mutual understanding with interviewees. However, some challenges were experienced during the translation of interviews, as specific terms did not have a precise English equivalent. In this case, I applied a synonym after the approval of the respondent and used if necessary footnotes and additional explanations.

Research validity and credibility

“Without rigor, research is worthless, becomes fiction, and loses its utility” (Morse *et al.*, 2002, p. 14). The critics of qualitative methodology may argue that qualitative studies may sometimes be negatively affected by interpretations, making it difficult to distinguish between raw empirics and analysed data (Seale, 1999). In this sub-section, I present evidence to secure the validity of the findings. In order to ensure that the presented research is well-grounded and trustworthy, the issues of credibility, transferability, and dependability (Guba, 1981) are considered.

First, credibility ensures that the findings are congruent with the reality (Merriam, 1998; Lincoln and Guba, 1985). This was reached in several ways. While studying PSRs, the triangulation technique was used. Triangulation of data sources, such as in-depth interviews, informal conversations with multiple actors involved into PSRs in Ukraine, as well as analysis of secondary data provided a solid base for representing the most accurate views of respondents. Besides, to ensure that interpretation of collected data is managed correctly, communication with interviewees via mail or phone during the analytical process was maintained. In addition, regular discussions of findings with supervisors and peers assured an external critical assessment of data interpretations.

Second, the transferability principle represents the level to which the results of qualitative research may be generalized or applied to other contexts or situations (Shenton, 2004). By providing rich data and thick descriptions regarding the process and outcome of PSRs and understating the main actors involved in this process, the results of the research may raise interest among other countries and be used by CEE countries that are in the same stage of transition as Ukraine (Stuart *et al.*, 2002).

Finally, dependability means that the same results are obtained, if the research is repeated in the same conditions. However, several scholars (Marshall and Rossman, 1999; Florio-Ruane, 1991) claim that, due to the ever-changing nature of the

phenomenon, obtaining the same result twice is extremely problematic. Therefore, in order to meet the dependability principle and to ensure that the research process is logical and clearly documented, each empirical paper justifies the chosen research design, specifies respondents' background, considers possible limitations of data collection, and shows how evidence collected from interviews contributes to theory and practice.

Findings

Paper 1 Vakulenko, V. "Trajectories of public sector management reforms in Eastern European and Former Soviet Union countries: a literature review"³

The aim of this paper is to analyse and systematize literature on public sector management reform in Eastern European (EE) and former Soviet Union (FSU) countries during 1991-2017. These countries represent a particularly interesting context for studying how public management practices changed, because, starting from the late 1980s, they experienced significant transformations of public sector practices, caused by the transition from socialism to capitalism and from a planned to a market economy. Even though EE and FSU countries are not considered a homogeneous group of countries, they all had a public administration system built on socialism. Thus, all these countries historically shared some similarities in public administration, since it was built on hierarchical inter-governmental relationships, a dominating share of state ownership and the centrally controlled production and distribution of goods (Kornai, 1992).

The paper applies a systematic literature-based approach for selecting, analysing and categorizing papers in peer-reviewed international scientific journals (descriptive

³ The paper is planned to be updated for submission to *Public Administration and Development*.

analysis), complemented with a thematic analysis of a selected body of literature. This literature review considers the following research questions: *What has been done on the topic of public management reforms in EE and FSU countries? What could be done in the future on public management reforms in EE and FSU countries?* This paper contributes by tracing how the reforms diverged within the region and mapping areas for potential contribution. Moreover, this paper adds to previous studies on PSRs' developments (e.g., de Vries and Nemec, 2013; Dan and Pollitt, 2015) by analysing how multiple public management reform directions unfolded in a wider context – a group of countries in the EE region and those from the Asian region. The framework for analysing PSR trajectories in EE and FSU countries extends the classification proposed by Pollitt and Bouckaert (2017), who distinguished between the context and the process of reforms, by discussing combinations of reforms used by several countries.

Several important points were derived from this literature review. In terms of the reforms' context, a limited number of studies have focused on public financial management aspects, such as accounting, auditing and tax reforms, especially in the early stage of transition. More studies on the public management reform process are encouraged, as this direction provides an overview of the reforms' dynamics, thus enabling better understanding of how reforms are designed and implemented in practice. At the design stage, future research would benefit from a deeper analysis of the external influence of international donors and the interaction between IFIs and national governments in EE and FSU countries during the reform process. Moreover, at the implementation stage, the interplay of top-down and bottom-up processes between multiple governmental levels was not fully covered. In this area, investigation is needed on how relations at and between central and local governmental levels influence the final result of public management reforms. This can be studied from various theoretical perspectives which apply an actor-centred approach, and theories, such as institutional work, institutional entrepreneurship or behavioural theories. Last but not least, a growing concern among researchers, regarding the diverging outcomes

of the reforms bringing market-type mechanisms to the public sector, calls for the adaptation of universal reforms to the local context. In practice, however, practitioners in the region continue implementing reforms under NPM, which sometimes might bring controversial results. Thus, it might be important to take a closer look at how exogenous and endogenous pressures interfere during the public management reform process, resulting in (un)expected outcomes of the reforms. Finally, this literature review calls for a strengthening of the link between academia and practitioners by conducting historical, international and comparative studies on public management reforms' context and process.

Paper 2 Vakulenko, V. "International donors as change agents in turbulent times? The case of Ukrainian public financial management reform?"⁴

The paper addresses the role of IFIs, such as the IMF, the WB, the IBRD, the EBRD, and the OECD, in promoting PSRs in general and specifically in the field of public financial management.

As may seem from the literature, IFIs' role in changing public sector practices is still a controversial issue. While one may state that support of international donors is vital for stabilizing countries during economically turbulent times (Truman, 2010), others argue that a reform 'driven by the ideology of donor agencies remains contested' (van Helden and Uddin, 2016, p. 47). This resulted in several studies pointing to unintended consequences of new approaches to public management brought by IFIs (e.g., Adhikari *et al.*, 2013; Sharma and Lawrence, 2009). However, the role of agency in the process of public sector reforms continues to be overlooked (Brinkerhoff, 2015). Hereof, relatively less is known on why international donors decide upon specific reform

⁴ Currently the paper is submitted to the Journal of Public Budgeting, Accounting & Financial Management.

packages and how they ensure that new practices are accepted and implemented by local actors – national governments.

Thereby, the research question of this paper is *how IFIs influenced on a public financial management reform in a country with transitional economy?* To answer this question, the paper draws upon organizational change literature by focusing on the role of change agents. Specifically, this paper argues that international donors acted as global change agent, represented by qualified experts with sound economic backgrounds. Importantly, while previous research has mostly focused on the content of reform and its appropriateness in a developing country context (Polidano and Hulme, 1999), little is known about how the IFIs are engaged in PSRs, what their roles and activities are during PSRs (Hajnal, 2008) and how they interact with local actors in order to implement changes.

The research setting is public financial management reform conducted in Ukraine during 1991-2014. A qualitative methodological approach is used for gathering empirical material from primary and secondary data sources. The period of Ukrainian public financial management reform was divided into two stages, represented by two specific projects financed by the WB. The motivation for choosing the “Treasury System” project (1997-2004) and the “Public Finance Modernization” (PFM) project (2008-2014) was their explicit focus on a change of the public financial management system.

The results showed that, despite support from global change agents, reforms of public financial management were implemented in the first stage but failed in the second. In the first stage of public financial management reform, associated with the “Treasury” project, international donors proposed implementing new approaches to cash management and public expenditure control. They argued that, unless a comprehensive reform of public financial management was implemented, recovery of

the Ukrainian economy after crisis in early 1990s was barely possible. Members of the project group consisted of international experts and ranked officials from Ukrainian central government. Local actors, acting like internal change agents, involved in the project shared the vision of international experts, supported the project financed by IFIs and facilitated the implementation of the reform, despite resistance from civil servants from other branches of power. However, in the second stage, during the PFM project, IFIs could not implement the planned changes. As the project team comprised representatives from the Ministry of Finance (MoF) and the State Treasury of Ukraine, international experts failed to establish collaborative relations with key local actors and lost commitment from representatives from the State Treasury to implement the project. Additionally, IFIs did not fully account for the unstable political environment in Ukraine, which caused a lack of “political courage” from local actors to conduct public financial management reforms over the project period.

To summarize, this paper seeks to contribute to the debate on the role of IFIs in promoting public financial reforms in less developed countries, by exploring the process of global-local interaction, that is, between IFIs and the central government. Thus, using the example of a country in transition, the paper demonstrates that the success of IFIs might be undermined by an oversight of other actors involved in the reform process and political instability in a country.

Paper 3 Vakulenko, V., Bourmistrov, A., and Grossi G. “Reverse decoupling: Ukrainian case of healthcare financing system reform”⁵

The well-known concept of decoupling, proposed by institutionalists (Meyer and Rowan, 1977), has recently received plenty of attention from public management

⁵ Currently the paper is returned for revision from the *International Journal of Public Sector Management*.

scholars (Tilcsik, 2010; Kern *et al.*, 2018; Alexius and Grossi, 2017). A commonly accepted idea is that decoupling depicts an organization's superficial abidance by institutional pressures and adoption of formal structures without implementing them in practice (Boxenbaum and Jonsson, 2008). However, the assumption that organizations are passive recipients of set rules limits further studies on this topic (Oliver, 1991).

The paper explores the development of inter-organizational interactions, which resulted in prolonged decoupling between central and local governmental levels during the Ukrainian healthcare financing system reform of 1991-2016. The research question of the paper is *how had inter-organizational interactions developed in a way that they resulted in prolonged decoupling between central and local governmental levels during the Ukrainian healthcare reform?* The data was collected via 15 in-depth interviews, structured around open-ended questions and complemented with documentary analysis of the reform.

The findings showed that decoupling appeared at an inter-organizational level (i.e., central government and local governments during the change in the institutional field – i.e., healthcare financing system reform) in a bottom-up way. To better explain the case, an alternative concept – “reverse decoupling” – was introduced, occurring at the central level through chaotic reforms in Ukraine over a quarter of a century. To start with, the Ukrainian system of public healthcare was built on socialist principles developed during the USSR period. After the dissolution, the Ukrainian government launched the healthcare reforms aimed at moving from the old system, institutionalized under a planned economy, towards new market-type logics (Nemec and Kolisnichenko, 2006). However, as revealed, the central government's attempts to reform the healthcare financing system did not comprehensively or systematically address the main problems faced by reformees. The main drawbacks of the healthcare financing system, as line-item budgeting and discrepancies existed between centrally

allocated funds and actual local healthcare expenditures, were contentiously experienced by local governments. By introducing new reform strategies and laws, the central politicians seemed to ignore local problems and did not pay attention to the reformees' calls for stability and consistency.

Several reasons can explain why reverse decoupling occurred at the central governmental level. Besides the lack of a full comprehension of the healthcare system's complexity, reformers changed one after another, with each having their own vision of reform. They produced piles of legislative documents and neither analysed the results of their predecessors' reforms nor considered local responses to healthcare financing system reforms. Therefore, the paper contributes to the literature streams of both institutional theory and public management, by illustrating the reverse decoupling case.

*Paper 4 Vakulenko, V. "Thought prism of cognition: explaining divergence of local responses to incited voluntary municipal amalgamation"*⁶

The paper contributes to a growing debate on diverging local government reform trajectories (Schwab *et al.* 2017), specifically on municipal amalgamation. While a considerable number of studies was conducted, focusing on compulsory amalgamation and applied quantitative analysis of the causes and effects of municipal mergers (Ebinger *et al.*, 2019), relatively less has been published on voluntary amalgamation, thus omitting an actor-centred approach (Strebel, 2018), which might shed light on why and how local actors behave and interact during amalgamation reform.

The research question of the paper is: *how local actors reacted to and interacted during incited voluntary amalgamation reform?* In order to answer this question, this paper

⁶ The paper is planned to be updated for submission to *International Review of Administrative Sciences*.

uses a cognitive framework (e.g., Bourmistrov, 2017; Hall, 2016; Bourmistrov and Kaarbøe, 2013) as a theoretical lens to study the cognitive biases of people and groups, which may result in diverging decisions. This approach allows a nuanced picture of micro-processes to be taken, by focusing on thoughts, verbal expressions and actions, which are influenced by human mental processes (Baron, 2004) and, at the same time, highlights the importance of local leaders, i.e. mayors, (Broekema *et al.*, 2016) in the success of amalgamation.

The paper applies qualitative analysis of data gathered from 12 semi-structured interviews and two informal group conversations, complemented with secondary data analysis. The empirical material was collected from municipal actors, located in neighbouring local governments within a Southern Ukrainian region.

The findings revealed differences not only in the ways local town heads – local change agents – perceived and interpreted similar financial incentives but also in the pattern of their interactions with other local actors. The local leader in the first case analysed amalgamation's benefits, identified them as an opportunity for their community to develop and, thus, initiated the merger process. He was actively engaged in interaction with other local actors, i.e., local civil servants and citizens, whose support was important for creating an amalgamated territorial community (ATC). By establishing cooperative relations with other local actors, several innovative practices were introduced in the ATC, aiming to increase people's participation in local governance. In contrast, the second case portrayed a local mayor, who evaluated amalgamation as a threat, which could bring financial risks, and, thus, decided to maintain existing practices. He avoided interactions with other local actors. Specifically, he refused to initiate public discussions to listen to the local population's suggestions and did not consult local council members, some of whom considered amalgamation a positive change. The majority of local civil servants were demotivated by the leader's arguments and continued their previous practices; this resulted in a non-merger

Thus, this paper demonstrates that, in the context of municipal mergers, when local actors have a chance to decide upon the creation of an ATC, patterns of individuals' behaviour might result in diverging outcomes of municipal merger reform. This means that financial incentives do not guarantee the success of amalgamation reform, because differences in cognitive styles of local change agents may bias the decision-making process. The paper stresses that territorial restructuring is a complex process, which requires collaboration between heterogeneous sets of actors, who may have divergent views. Therefore, psychological aspects of local leaders' behaviour, the way they perceive information about reform and interact with other local actors to balance their views on potential mergers, are important conditions of the successful outcome of municipal amalgamation.

Discussion and conclusions

Summary of the thesis: theoretical model and contributions

Over decades, the discourses among researchers, policy-makers and practitioners have dedicated much of their efforts to diagnose problems in public sector, associated with quality, effectiveness and flexibility of public service provision, and providing solutions to these issues (Brinkerhoff and Brinkerhoff, 2015). To deal with these challenges, countries around the world were experimenting with PSRs, which at one point resulted in a global trend for PSRs convergence due to international recognition of NPM as a favourable reform menu. However, lately more studies confirm selective approach to PSRs' implementation arguing that there is no 'one-size-fits-all' when it comes to public management practices (De Vries and Nemec, 2013).

This thesis proposes moving away from a post-factum normative evaluation of PSRs' results and focus on change agents, who were, are and continuously will be involved into designing and implementing PSRs'. What we know about these people, what kind of pressures and expectations they face during the process of PSRs, how they react and

interact when facing new practices of public management and why they sometimes may respond divergently to the reforms? These issues seem to be understated in the current public management debate. Therefore, this thesis calls for a closer analysis of agency in academic debate, because reforms are created by humans in order to solve problems for humans.

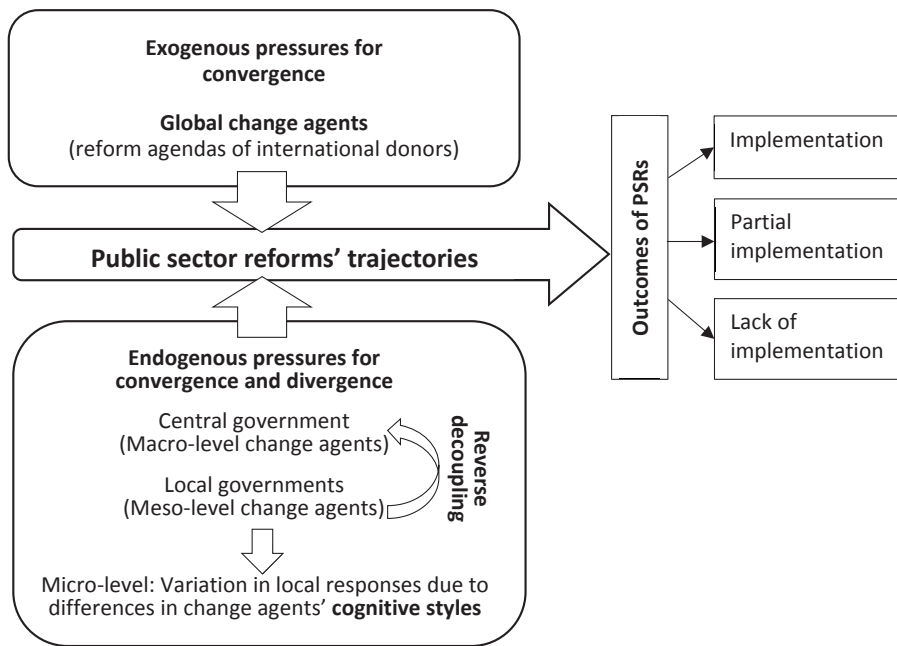


Figure 1.4. Theoretical model of the thesis

Figure 1.4 connects research concepts and theoretical approaches in order to show that influence of global and local change agents on the process of PSRs can cause diverging reforms' outcomes. In this regard, papers in this dissertation present an overview of PSRs trajectories and three empirical cases of PSRs in Ukraine, addressing different yet interrelated topics of role of agency during PSRs (for details see Table 1.2).

Table 1.2. Correspondence of theoretical concepts to empirical findings

	Paper 2	Paper 3	Paper 4
Pressures for convergence	Exogenous pressures driven by IFIs	Endogenous pressures by central government	Endogenous pressures by central government
Change agents	IFIs, Ministry of Finance and State Treasury	Central government and local governments	Local mayors
Other involved actors	Parliament, other ministries	NGOs	Central government, NGOs, local population
Level of interaction	Global-local	Macro-meso	Micro
Instrument	Financial management system	Healthcare financial system	Financial incentives
Process	Implementation of projects financed by the WB	Prolonged inter-organizational reverse decoupling	Analysis and interpretation of information, decision-making and operationalization of decisions
Reasons for divergence	Loss of commitment of important local actors and political instability	Inconsistent and unsystematic reform ideas that ignore practical problems	Different cognitive styles (perception of financial incentives for amalgamation)
Outcome	Implementation vs lack of implementation of reform	Partial implementation of reform	Implementation vs lack of implementation of reform

Simultaneous metamorphoses of political and economic systems have challenged countries with transitional economies, which struggled to reform their economies (A'Gh, 2001; Hirsch and Bermiss, 2009). Ukraine, as other countries in CEE, commenced the process of rebuilding the public sector in 1991 after the dissolution of the USSR. The exogenous pressures for convergence orchestrated by IFIs, who used their financial resources and professional expertise to introduce PSRs in accordance to their global reform agenda. The Ukrainian case showed that IFIs played an important role, acting as global change agents and suggesting the implementation of public financial management reforms, in order to increase the effectiveness and transparency of public financial management. When Ukraine faced turbulent economic conditions, agents

'from outside' supported the introduction of new public practices via specific projects. In case when reform agendas formed by global and local converged, the reform was successfully implemented, but, alternatively, diverging reform agendas on global and local levels resulted in limited success of reforms. Yet, the most important factor, which assured that global and local change agents have the same vision of the reform direction, was continuous interaction between agents, commitment and readiness of local change agents to implement the reform.

Next, endogenous pressures for convergence and divergence are exemplified by inter-organizational interaction, namely between change agents on central and local governmental levels in Ukraine. A study of Ukrainian healthcare financing reform conducted from 1991 until 2016 depicted a story of change agents on central governmental level, who ignored the practical concerns of local change agents regarding inconsistencies produced by new laws and amendments to previous legislature. As a consequence of a prolonged mismatch between ideas and practices, a reverse decoupling between reform ideas and practices appeared. The Ukrainian case highlighted activeness of change agents at the meso-level that challenged the ideas of agents at the macro-level. However, local governments' actions were not enough to influence the central government's behaviour. As a result of unsystematic reform ideas of macro-level change agents, the healthcare financing reform was not fully implemented.

Finally, divergence of responses at the micro-level might be conditioned by differences between individuals' cognitive styles. The comparative case study of two local governments, which experienced converging requirements for incited voluntary amalgamation reform, showed practice diversity. In particular, the divergence in local mayors' (change agents at the micro-level) perceptions of financial incentives to amalgamate and a variety of means they used to materialize their decisions, resulted

in polar reform's outcomes, namely establishment of an ATC or maintenance of the existing territorial structure.

Based on the findings outlined above, the thesis extends Grossi *et al.*'s (2018) framework by highlighting the importance of change agents during PSRs. Specifically, the thesis contributes by showing the tension between pressures for convergence and divergence as an interactive process between change agents on multiple organizational levels, which might be explained as follows.

First, exogenous pressures for convergence are not solely represented by isomorphic pressures by IFIs. The expertise of high profile international experts may not bring a desirable outcomes of PSRs, unless a global reform agenda corresponds to a local agents' vision and a need for reforms and commitment of all major local change agents to introduce new practices is reached. Thus, a continuous interaction between global and local change agents becomes an important factor for the success of reforms' implementation.

Second, endogenous pressures for convergence are generated by change agents at macro-level and are represented by the modernization logics of the central government (Grossi *et al.*, 2018) in conducting PSRs. However, the thesis contributes by highlighting a (lack of) interaction between change agents at macro- and meso-levels during PSRs, which may result in PSRs' partial implementation. Specifically, meso-level change agents dealing with practical implementation of reforms, who in some cases face chaotic and/or controversial reform ideas generated by macro-level change agents, may take an active position to articulate their vision of necessary changes. At the same time, the ignorance of macro-level change agents to experienced practical problems may result in a reverse decoupling between reform ideas and practices.

Finally, endogenous pressures for divergence are not only conditioned by practice ambiguities caused by introducing new public practices (Grossi *et al.*, 2018). Differences in how change agents at micro-level perceive information about PSRs, act and interact with other actors might also influence the process and outcome of PSRs. Depending on cognitive processes of an individual, micro-level change agents might engage other local actors into introduction of new practices by building trust and collaboration to implement a reform. Or, alternatively, the change agents may limit the interaction with other actors in case they perceive PSRs as undesirable.

To summarize, the thesis contributes to the public management debate by highlighting the role of agency during a dynamic process of PSRs under pressures for convergence and divergence. As discussed above, actions of and interactions between change agents at multiple levels influence on PSRs, which might sometimes have (un)expected outcomes. Besides, the thesis contextually extends Grossi *et al.*'s (2018) framework by discussing several cases of PSRs: the public financial management reform, the healthcare financial system reform and incented voluntary amalgamation reform. In addition, this study explores PSRs in a less discussed CEE country – Ukraine.

Points for practitioners

In addition to theoretical contributions, the thesis proposes several implications for practitioners.

Influential international donors and the effectiveness of foreign aid programmes in distant locales (Neu and Ocampo, 2007) has already been vividly discussed among practitioners (Sindzingre, 2012; Riddell, 2014). Presented empirical findings from the thesis (Paper 2) complement the debate by pointing to the need for external consultants, who finance public reforms through specific projects and programmes, to account for local change agents, their interests and views on the content of exogenous reforms. International experts might need to consider the influence of such local

factors as structural changes within the central government, political instability and low commitment as those with a high impact factor on the projects' implementation. When it comes for central governments as recipients of external aid and reform packages, local civil servants might need to remember that IFIs are global change agents, who follow supra-national reform agendas, and sometimes might not have sufficient background knowledge of local unique features of public management. Thus, the findings highlight the importance of collaboration between global and local change agents during the whole project period in order to achieve a 'win-win' outcome from implementation of the projects and respectful PSRs.

Based on empirical findings from the healthcare financial system reform (Paper 3), Ukrainian change agents on central governmental level – civil servants working in ministries and deputies – might need to conduct a profound analysis of existing practical challenges of healthcare system before launching the reform. This might be required at a planning stage of the reform in order to be equipped with solutions, which could address high uncertainty caused by public management transformations during transition from planned to market-type economy. In such way, policy makers can overcome an issue of legislative overproduction, which occurs due to a lack of evaluation of previous reform initiatives. As Ukrainian case showed, after facing controversies during implementation of centrally drafted reforms, which did not correspond to problems experienced in practice, such as line-item budgeting of healthcare facilities, local civil servants responded actively to the changes. However, their statement was not considered at the central governmental level. For local civil servants behaving actively, it might be important to exercise other strategic responses (Oliver, 1991) or even a combination of the latter to successfully communicate desirable legislative changes to improve the healthcare financial system. Finally, the findings from Ukrainian case might serve as an example for policy makers from other CEE countries, who may face similar challenges when conducting reforms in the field of healthcare.

Moving down to micro-level, individuals and their perceptions of PSRs, the comparative case study of two town heads' reactions to incensed voluntary amalgamation reform in Ukraine (Paper 4) suggests that central authorities need to focus not only on financial incentives, but also recognize differences in psychological aspects of mayors' behaviour. Specifically, acting as local change agents, mayors interpret information about the reform and frame their interactions with other local actors depending on their cognitive style. Because of individual psychological differences, acceptance or rejection to amalgamate was observed. Central government may address this issue by introducing training programs for local mayors and conducting a clear communication strategy before launching amalgamation reform to reduce uncertainties on municipal level.

Further research directions

After defining main theoretical and practical contributions, I would like to conclude with suggesting several directions for further research.

The thesis encourages investigating other types of interactions between individual and collective change agents. For example, establishment of hybrid forms of organizations such as public-private partnerships or cooperation with NGOs and non-profit organizations. Further studies might explore how and why governments collaborate with private and non-state actors (Rhodes, 2007), and how networks are managed given potentially diverging interests of actors and blended roles of public services providers under market conditions.

As "the digital revolution continues apace" (OECD, 2019, p. 29), there is considerable potential for research on technological development transforming public sector practices (Grossi, 2019). Recently digitalisation, information and communication technologies, big data, artificial intelligence, and knowledge management have been appearing more often in global and local policy agendas and penetrated into the

everyday life of each member of modern society. Recent studies suggested that deployment of new technologies could enhance government effectiveness and efficiency (Bertot *et al.*, 2016). This effect was examined in several public spheres, such as public healthcare, education, infrastructure and communication (de Sousa *et al.*, 2019) with the focus on means of improvement through specific tools, e.g., social media (Khan *et al.*, 2014). Despite these findings, the debate on how advancement of technologies influence public sector management (Liu and Kim, 2018) in general, and change agents in particular remains limited. Thus, researchers are encouraged to investigate the process, during which governments become more digital-intensive. Which skillsets are required from civil servants and public managers to navigate digitalisation? How to mobilize and combine information and communication technologies to make them more user-friendly and to enhance participatory democracy?

Furthermore, the thesis encourages future studies to focus more on humans (change agents) during PSRs. In line with the abovementioned trends, how digitalisation of public sector practices can influence the cognitive processes of individuals? It is not surprising that new practices in public sector can cause individuals' cognitive discomfort (Bourmistrov, 2017), which may result in resistance towards changes. Yet, previous studies had barely touched the issue of individuals' identity change during PSRs, which can alter individuals' habitualized practices, established values and routines. What is the role of emotions and emotional intelligence during public sector transformations and how these aspects can be addressed to increase PSR's acceptance? These questions open a debate for more inter-disciplinary studies in psychological and public management fields to examine micro-foundations of public sector changes.

The last point would be for researchers to be more opened towards a wide spectrum of theoretical lenses and different contexts to diversify research discussions with

theoretical studies on PSRs' process and outcomes in less explored contexts. Given the current accessibility to archival data, more studies on historical developments in public sector are encouraged to learn from previous events, as this might enrich our understanding of the nature of changes in public sector as well as shed light on the changing roles of change agents involved in PSRs. Finally, researchers are welcomed to collaborate in producing solid comparative case studies on PSRs to enable governments to learn from each other and share the best practices of public sector management.

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Paper 3. “Reverse Decoupling: Ukrainian Case of Healthcare Financing System Reform”

Abstract¹⁶

Purpose – To explore inter-organizational interactions that might result in prolonged decoupling between central governments’ ideas and local governments’ practices during the reform of an institutional field (i.e., healthcare).

Design/methodology/approach – The paper is based on a qualitative study of the centrally directed reform of the healthcare financing system in Ukraine and focused on practices and reform ideas from 1991 to 2016.

Findings – The findings show that for more than 25 years local governments, as providers of healthcare services, faced two major problems associated with drawbacks of healthcare financial system: line-item budgeting and fragmentation of healthcare funds. Over 25 years, the central government’s attempts to reform the healthcare financing system did not comprehensively or systematically address the stated problems. The reformers’ ideas seemed to be focused on creating reform agendas and issuing new laws, instead of paying attention to challenges in local practices.

Practical implications – This article has two main points that are relevant for practitioners. First, it calls for greater involvement of local actors during all stages of public sector reforms in order to ensure the relevance of developed reform strategies. Second, it points to potential challenges that central governments may face when conducting healthcare financing system reforms in transitional economies.

¹⁶ Currently the paper is returned for revision from the *International Journal of Public Sector Management*.

The early versions of this paper were presented at (1) PhD International Workshop “Performance Measurement for the smart public governance”, University of Siena, Siena (Italy, 2017); (2) CIGAR Conference “Future avenues for Public Sector Accounting: engaging research, practice and use”, University of Coimbra, Porto (Portugal, 2017) and (3) International Workshop “Modernization, Westernization, and Democratization of Public Financial Management”, Taras Shevchenko National University of Kyiv, Kyiv (Ukraine, 2018).

Originality/value – This paper contributes by challenging a still-prevailing assumption in institutional literature: that, when facing institutional pressures, reformees are more likely to decouple their practices from reformers’ intentions and by introducing a ‘reverse decoupling’ concept.

Keywords Decoupling, intergovernmental interactions, public sector reforms, healthcare, Ukraine.

Paper type Research paper

Introduction

Institutional theorists often perceive the decoupling of formal structure from activities as a mechanism for enabling organizations to ‘maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations’ (Meyer and Rowan, 1977, p. 357). After this proposition by Meyer and Rowan, scholars sought to explain decoupling as, for example, an attempt to survive (George *et al.*, 2006), a safe-guarding mechanism in a heterogeneous field (Boxenbaum and Jonsson, 2008), a common organizational response to conflicting expectations (Greenwood *et al.*, 2011), a result of a complex and dynamic process of resistance on the operating level (Modell, 2009) and a response of hybrid organizations to conflicting objectives (Alexius and Grossi, 2017).

The concept of decoupling has been vividly discussed in the context of public sector reforms. Brinkerhoff and Brinkerhoff (2015) noticed that decoupling can be caused by restricted capacity, lack of political will and lack of appropriate institutional solutions to the organizational context. Ho and Im (2015) stressed both the local institutional context when conducting reforms and various response motives as reasons for decoupling in developing countries. After studying the case of the Czech Republic while establishing a new institutional order, Hirsch and Bermiss (2009) argued that decoupling may appear in the form of institutional preservation.

Most studies on decoupling focus on how institutional pressures affect individual organizations (Scott, 2014). This theoretical argument has resulted in a dominant perception that organizations symbolically adopt formal structures. The present study represents a response to the need to move beyond the merits of traditional views on institutional processes, by showing that local governments are not passive recipients of the reforms imposed by central governments.

In seeking new answers to classical questions regarding the nature of decoupling and its forms, the context of a country in transition is chosen. In the early 1990s, the economy in Ukraine and other CEE countries was challenged by institutional upheaval. The overwhelming institutional changes (Tilcsik, 2010) involved in transitioning from central planning to a market economy affected all spheres of public management, and had a particularly notable effect on healthcare financing systems (Nemec and Kolisnichenko, 2006).

The research question of the paper is: how had inter-organizational interactions developed in a way that they resulted in prolonged decoupling between central and local governmental levels during the Ukrainian healthcare reform? The evidential base for this paper came from interviews with actors (i.e., politicians, public servants and economic experts at central and local levels) involved in Ukrainian healthcare reform, supported by an analysis of legislation.

This paper is structured as follows: first, a literature review is outlined, followed by a method section. Next, the case of Ukrainian healthcare financing reform is portrayed, with a focus on central-local governmental interactions. The discussion section then presents the concept of 'reverse decoupling' to explain inter-organizational decoupling during a change in the institutional field. The paper ends with conclusions and suggestions for future research.

Literature review

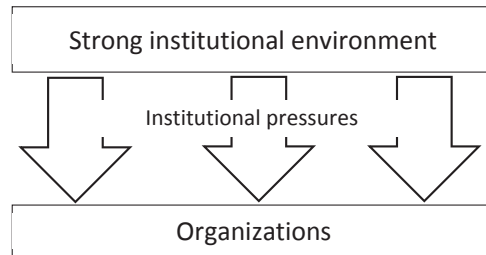
Institutional theory on decoupling

'Similar to much management and organizational research informed by NIS [Neo-institutional theory], one of the most widely examined themes [...] concerns the decoupling (or loose coupling)'[1] (Modell, 2009, p. 281).

Over the years, the idea of decoupling has received considerable attention in the literature. The conceptualization of decoupling developed by Meyer and Rowan (1977) depicts a situation in which organizations adopt external symbolic policies and simultaneously try to maintain institutionalized myths for legitimization purposes. In such a situation, an organization conforms to ceremonial rules and maintains ritualistic practices. Since an organization is made up of human actors, who may have varying interests and are capable of independent actions (Scott, 2014), weak connections between social systems are often enacted (Scott and Davis, 2007). This creates a vision of a sort of 'double life' (Hernes, 2005, p. 12), which an organization might follow during the decoupling process.

Decoupling does not occur spontaneously; often, it occurs when external actors prescribe regulatory requirements (Scott, 2014) that contradict institutionalized practices in an organization (MacLean and Behnam, 2010). Organizations frequently decouple to protect established routines from external uncertainties (George *et al.*, 2006). Seeking survival, organizations struggle to balance rules and logics that are institutionalized within the surrounding social context (Freidland and Alford, 1991) or that emanate from a strong institutional environment (Alexander and D'Aunno, 1990).

According to Boxenbaum and Jonsson (2008), decoupling is an organization's superficial abidance of institutional pressures and adoption of formal structures without implementing them in related practices. Figure 4.1 presents a schematic interpretation of traditional decoupling. However, this interpretation neglects several other important dimensions of decoupling, such as the activeness of organizational responses, endurance of these processes and levels other than organizational at which decoupling may occur.



Decoupling: adoption of structures without changing practices

Figure 4.1. A traditional generalized institutional view on decoupling[2]

To understand how organizational responses to institutional pressures vary, patterns of organizational behaviour can be explored. Oliver (1991) argued that organizational behaviour may be motivated by a variety of strategic responses – from passive conformity to active resistance – depending on the types of institutional pressures organizations face. In particular, organizations may apply dismissing tactics as part of a defiance strategy, by ignoring external directives when conflicts arise between internal goals and institutional requirements. Oliver also identified challenge tactics within this strategic response. This active form of resistance highlights ‘a virtue of their [organizations’] insurrections’ (Oliver, 1991, p. 156), supported by an organization’s desire to contest the rules of the institutional environment.

Tilcsik (2010) attempted to study decoupling as a durable process. By focusing on how the process of decoupling had evolved over time, he suggested that when an organization deals with ‘inconsistency between the policy and the decision makers’ ideological beliefs about how their organization should be run’ (Tilcsik, 2010, p. 1488), decoupling could take the form of active resistance. The dilemma of contradictory demands (Brunsson, 1989) might be another reason for decoupling. Supporting his arguments with examples from Swedish municipalities, Tilcsik exemplified a conflict between the rational logic of organizations and the political logic of decision-makers. Such contradictions usually characterize transitional periods, as conflicting

requirements can simultaneously affect several policies (Alexius and Grossi, 2017). These scholars identified decoupling in a hybrid organization by accounting for long-term institutional complexity and competing institutional logics.

Decoupling in reformers-reformees interaction

Institutional theorists have recently scrutinized large-scale societal transformations such as national economy reforms. Studied topics include: organizations; their actions, structures and connections; and the processes of macro-social and economic change (Lawrence *et al.*, 2011). North (1990) contrasted institutions and organizations, stating that the first set the rules of the game while the second play according to the rules. The establishment of rules and taken-for-granted practices is typical within strong institutional environments such as healthcare (see Arndt and Bigelow, 2000). However, the assumption that organizations are passive recipients of set rules limits further studies on this topic (Oliver, 1991).

Research should now seek new explanations of institutional action, by shifting focus from the processes of organizational fields to interactions between institutions and their actors (Lawrence *et al.*, 2011). For example, during times of radical change, organizations might remain stable and consistent in internal political and economic spheres while simultaneously appearing to implement institutional frameworks introduced by changing external contingencies (Hirsch and Bermiss, 2009), thus taking an active position of 'creative navigation' within their organizational fields.

As suggested by Brunsson (2007, 2009), it is necessary to equalize the roles of reformers the roles of those at whom reforms are directed – that is, the reformees. Reformers are actors who produce ideas, negotiate, introduce reform packages and then issue documents as institutionalized norms (i.e., legal acts and regulations). Reformees carry out actions and simultaneously deal with conflicting demands and

inconsistencies caused by reforms (Brunsson, 2009). Reforms usually produce insoluble problems or generate too many promises, resulting in a constant need for further reform. One suggestion for synchronizing the ideas proposed by reformers with actual practice is to assure the control of reformees over reformers, instead of the reverse (Brunsson, 2007). If reformees can take a strong position and communicate the practices that should be reflected in reforms, then ideas and practices will correspond with each other.

However, depending on whether the institutional environment is strong and well-established or weak and unstable, the roles of reformers and reformees during reforms can change. For example, as previously discussed, within a strong institutional environment, reforms are generally guided by reformers' ideas and reformees should either play according to the rules or – for a number of reasons – decouple from these rules. Within an institutional environment that is transforming, and thus has weaker structures, reformees can play a more active role in the reforming process by proposing practices and thus becoming rule-setters themselves. Considering the nature of the institutional environment, which seems to be less discussed by academia, this perspective opens up new opportunities for studying inter-organizational interaction during the reform process.

Decoupling in the field of healthcare and during reforms

Decoupling during healthcare reform may take various forms. Kern *et al.* (2018) recently revisited the concept of decoupling, and identified power and political aspects of decoupling. They discuss forms of decoupling besides symbolic policy adoption and examine the role of institutional complexity to show the political approach to decoupling in a case of internal dynamics and professional logics in French healthcare institutions. A case study of a Norwegian hospital (Modell, 2001) showed that decoupling between various practices could be caused by conflicts and inconsistencies

between norms and rationalities. That study focused on the responses of senior management as 'absorbers' of healthcare reforms (Modell, 2001, p. 441) in order to examine managerial manoeuvres in response to conflicting interests.

Despite academic interest in recipients' reactions to reform, the interactions between a state and its local governments have received relatively little attention. Ferrè *et al.* (2012) touched on the decentralization of healthcare policy by comparing Italian regions. They discovered that due to the central government's failure to recognize variations among regions, regional recovery plans seemed to prescribe only 'cosmetic' interventions. One reason for such decoupling was a lack of coordination of control mechanisms between the Ministry of Economy and Finance and the Ministry of Health.

The results of healthcare reform have also been studied in CEE countries. Nemeč and Kolisnichenko (2006) found that after ten years of change in Armenia, the Czech Republic, Russia and Ukraine, reforms did not bring desired outputs because of contradicting actions of central governments, which introduced market mechanisms while frequently changing the rules. This created barriers for the actual implementation of new mechanisms. The Polish case evaluated the results of healthcare system reforms in Poland and suggested that the post-NPM concept reflected in de-marketization and de-agencification of healthcare was a politically driven action (Mikuła and Kaczmarek, 2019). Moving beyond the European region, a case of Chinese reform of public hospital system developed under command and control system showed that market reforms resulted in a hybrid model of hospitals' funding, during which public hospitals partially dependant of the state operated within private market (Mei and Kirkpatrick, 2019). Thus, in order to financially cover all their expenses, Chinese public hospitals focused on generating profits from particular drugs and services (Mei and Kirkpatrick, 2019).

In summary, an overview of recent literature revealed research gaps that this paper attempts to fill. The first gap concerns analysis on the inter-organizational level, as previous studies have focused on extra-organizational (Meyer and Rowan, 1977), intra-organizational (Kern *et al.*, 2018) or organizational (Boxenbaum and Jonsson, 2008) decoupling. Another gap involves the roles (i.e., decoupling tactics) of reformers and reformees during the decoupling process. Finally, interactions between central and local actors during healthcare financing reform appear to be relatively less discussed. To cover these gaps, our research question focuses on how inter-organizational interactions developed such that they resulted in prolonged decoupling between reformers' ideas on reforming the healthcare financing system and reformees' practices related to day-to-day system operation.

Method

Studying decoupling in a post-Communist context is particularly intriguing (Tilcsik, 2010). This qualitative case study was conducted in the context of Ukraine, a post-Communist country and ex-member of the Soviet bloc. The data was collected via fifteen in-depth interviews structured around open-ended questions. A period of 25 years (1991–2016) was chosen because the process of conducting and implementing reforms requires time. In this case, it was crucial to present evidence of the effect of these reforms on local practices. To provide a balanced view of a healthcare financing reform, both central and local actors were approached in 2016, and again in a second round of interviews in 2017.

Prior to the meeting, interviewees were given a brief description of the research and of the interview questions. The questions concerned major laws that provided a normative basis for the system of healthcare financing in Ukraine, and the influence of these changes on healthcare financing legislation at the local level. The interviewees comprised groups of Ukrainian public servants and economic experts (see Appendix 1).

The local-level interviewees represented eight local governments and were selected based on the previous acquaintance of one of the authors with several interviewees, in order to analyse local practices in different administrative units (city, region or district). The other seven interviewees belonged to the central government. This particular group of fifteen interviewees was chosen for several reasons:

- (1) Since reformers tend to oversell their reforms (Brunsson, 2009), the views of economic experts and a representative of academia were considered.
- (2) To cover a whole period of reform and show the reform's impact on various local governments, people involved at different stages of the reform as well as representatives of heterogeneous local authorities were interviewed.
- (3) All respondents had expertise in financial issues of public healthcare.

Along with primary data, national legislation was studied to facilitate an understanding of the Ukrainian healthcare financing system and support the evidence from the interviewees.

During data collection and analysis, several issues were experienced. At first, some potential participants were hesitant to be interviewed. This was addressed using a 'snowball' method (i.e., potential interview candidates were proposed by previous interviewees). Second, interviews were conducted in Ukrainian and conversations were recorded. Since one of the authors is a native Ukrainian speaker, there were no problems in reaching mutual understanding. However, challenges were experienced when we manually transcribed the interviews, as some specific terms had no precise English equivalent (Veselý, 2013). Footnotes are used to clarify these cases; furthermore, during the second round of interviews, the meanings of terms were double-checked with interviewees. Finally, this study analyses the reform over a relatively long time period, which may raise doubts regarding the accuracy of the interviewees' interpretations of past events (Menard, 2008). The 'retrospective

interviewing' (Czarniawska, 2000) technique was applied to elicit important details of the reform. Interviewees were asked about recent changes made to the healthcare financing system, to compare those with previous changes and to provide examples.

Recently, researchers have been inventive in dealing with data-collection difficulties in various settings (Neu, 2006; Courtois and Gendron, 2017; Laguecir and Leca, 2019). We applied a bricolage of several data sources (Wibberley, 2017) to study central-local interaction during the reform. Given that 'the analysis of rich field data is a creative, ongoing process' (Ahrens and Chapman, 2004, p. 284), the data collection and analysis was organized as a holistic three-stage process. The first stage involved a 'top-down' approach, with interviews at the central level supported by secondary data analysis. During this stage, an understanding of the reform's challenges was formed and the interview guide was updated. The next stage applied a 'bottom-up' approach, as local representatives gave examples of how the Ukrainian healthcare financing system operates. The final stage included the last round of interviews with central and local actors to gather specific empirical evidence on legislative reforms and respective local responses.

Empirical findings

Inconsistencies embedded into the healthcare financing system

The Ukrainian public healthcare regulative framework was built upon principles inherited from the Soviet healthcare system, which was developed by the physician and academician Nikolai Semashko; the system was then inherited by the Ukrainian government after the dissolution of the USSR in 1990–1991. Features of the Semashko system included free medical treatment for every citizen and state ownership of all healthcare facilities. Workers in this sphere were state employees with fixed salaries (Roberts, 2009). All citizens were assigned to the hospital closest to their residence,

with no opportunity to change hospitals without moving their residence. The central state held primary responsibility for providing healthcare services; thus, funding was centralized and budget allocations were made according to numerical input indicators (e.g., numbers of hospital beds or medical posts).

In 1991, Ukraine, like other CEE countries, initiated broad healthcare reforms aimed at moving from the Semashko system, which had been institutionalized under a planned economy, towards new market-type logics by introducing mechanisms such as medical insurance, privatisation and decentralization (Nemec and Kolisnichenko, 2006). Here, we describe inconsistencies produced by the previous healthcare financing system[3] to enable an analysis of the practical challenges faced by reformees.

To start with, healthcare services that are free of charge to each citizen seem utopian – declared only on paper. According to the Constitution of Ukraine (1996) art. 49, ‘all Ukrainian citizens have a right to free medical services’. In order to provide healthcare services for over 42 million Ukrainian citizens, the state collects taxes centrally and redistributes them to regional and municipal governments. Even though official Ukrainian statistics show that national healthcare expenditures increased over the years, the state actually covered little more than half of these expenses; the other half was paid by patients (in some cases via unofficial fees)[4]. Thus, since 1991, the Ukrainian healthcare financing system has been gradually transforming into a fusion of government-funded healthcare services with traces of private medicine, meaning that the institutional environment has been quite weak. This situation put increasing financial pressure on citizens, who had to co-finance their healthcare in case of illness (e.g., buy medical supplies or make charitable contributions to the hospital). These numerous unofficial fees indicate that the healthcare system lacked state financing.

Unfortunately, the Ukrainian system of healthcare is unbelievably chaotic. It is a vicious circle: inconsistency of legislation caused the lack of funding, new laws are adopted, but the issue of underfinancing remains. These laws declare the rules and simultaneously

contradict and duplicate each other. Local governments, when trying to deal with these circumstances, probably feel themselves in a mental hospital. (Interviewee 1)

The reason why state finances 'dissolve' during redistribution to local governments might be found in two main drawbacks of the Semashko system.

First, the majority of healthcare facilities in Ukraine are public entities financed from budgets from respective governmental levels on the basis of a line-item budgeting method used since the Soviet times. It prescribes that a medical facility is funded according to the estimated level of expenditures for its maintenance (i.e., inputs: salaries, electricity, heating, purchase of medical supplies). In a sense, institutional pressure to implement this method forced local governments to maintain the same excessive level of healthcare expenditure.

The major part of the healthcare expenditures is used for the physical maintenance of buildings and salaries for employees. We would like to optimize expenditures. However, our hands are tied due to strict frames of line-item budgeting. For example, if we invest in modernization of the heating system of our facility, we will not be allowed to spend the future saved funds on something else because the budget line on heating will simply be reduced. Besides, it is unthinkable that the expenses for modernization can be refunded from the central budget. All innovations are our own concern. (Interviewee 12)

We still refer to outdated Ministry of Healthcare legislation that prescribes irrelevant standards and rules. For example, only one doctor and two nurses work in a village clinic. There are nine other employees including guardians, stokers, methodologist, etc. and they are all considered to be employees in the sphere of public medicine (Interviewee 13)

Thus, funding was assigned to a hospital on the basis of its 'existence'; staff salaries depended on the number of working hours and the number of personnel was centrally regulated. Given such institutional requirements, local governments had no incentive to improve the quality of healthcare services or optimize their quantity.

The second drawback concerns the redistribution of funds at each governmental level to finance healthcare services. As mentioned before, the state plays the major role in financing the Ukrainian healthcare system, and guarantees all types of healthcare services: primary healthcare, specialized treatment, highly specialized treatment, rehabilitation and sanitary-epidemiological treatment. The central government delegates responsibilities to each level of the Ukrainian government and provides funds to finance specific services. In particular, regional state administrations are responsible for regional hospitals and diagnostic centres and emergency medical services and specialized medicine (the latter was valid until 2017). Local governments (i.e., district state administrations, cities, districts within the cities, villages and rural local governments) finance primary healthcare services.

Since local governments act as the owners of public healthcare facilities, excluding clinics functioning under national authorities, the central pool of healthcare funds becomes fragmented among numerous local budgets[5]. Thus, if a patient visits his or her therapist (primary healthcare) and is then referred to a specialist (specialized medicine), he/she 'moves not only between different healthcare facilities, but also between different governmental budgets'[6]. Furthermore, even though each citizen is assigned to the nearest hospital, most patients choose other healthcare facilities. Thus, local governments face uncertainties, since forecasting potential funding to treat patients becomes almost impossible. The unpredictable movement of patients has caused imbalances in hospitals' capacity, with some becoming overcrowded while others lack patients.

The main problem is the healthcare infrastructure, because it is financed from the local budgets, and not actual services provided to patients. Examples of this could be easily found around all the country. For instance, in Kyiv several medical facilities are located very close to each other, thus increasing the supply of medical services. In the area for less than 10 km², similar services are provided by municipal hospitals, departmental medical institutions and private clinics. This increases local healthcare expenditures due to exceeding number of employees and technical equipment used. (Interviewee 2)

To summarise, reformees faced two major problems caused by the Semashko system: local budgets were tied to centrally set norms of standard costing, preventing healthcare funds from being used to improve local efficiency; and discrepancies existed between the allocated funds and actual local healthcare expenditures. Considering the problems that local governments associated with the operationalization of the previous Semashko system, the central governments' reforms are traced further to see whether and how these inconsistencies were resolved.

Central government's attempts to reform the healthcare financing system

The reform started in 1996, when the Constitution of Ukraine declared the accessibility of free medical services. However, the central government produced no comprehensive programmes of healthcare development until 2002. The first programme accepted by the Cabinet of Ministers of Ukraine, 'The Health of the Nation' (2002–2011), was aimed at satisfying citizens' need for accessible, high-quality medical services. A lack of financial resources was listed at the end of a list of acute problems in the Ukrainian healthcare system, indicating that this issue was not a priority for politicians. Rather, the focus was on a lack of medical supplies, outdated equipment and the promotion of a healthy lifestyle.

The change in the healthcare financing system was traceable in the budgetary legislation and in other regulations issued by the Ministry of Finance and the Ministry of Healthcare. In 2001, the Ukrainian Parliament approved the Budget Code, which aimed to decentralize healthcare expenditures by assigning responsibilities for particular services and facilities to multiple governmental levels. Before this, the central government manually assigned expenditures to local governments, in a typically subjective and non-transparent manner. The 2002 state budget was the first to contain local expenditure transfer calculations using a formula based on the number

of inhabitants. However, centrally assigned transfers sometimes did not meet actual local needs.

Central government controlled all financial distributions up to 2001. This made regions 100% dependent on the central government during the redistribution of financial resources. Local authorities spent a lot on social spheres, but still did not have enough self-generated revenues and thus covered budget gaps with transfers from the central government. At that time [before 2001] the central authorities used the transfers as a tool to generously hand out subventions to 'loyal' regional governments and punishing others [opponents] with little funding. So introduction of the Budget Code was a real step towards equalization and transparency of state transfers to local governments (Interviewee 2)

Despite the 'breakthrough' of the Budget Code in 2001, several inconsistencies remained. We were still confused because of a mess in responsibilities for the healthcare expenditures. Who [local government] is responsible for what [type of healthcare expenditures]? Besides, the transfers were calculated based on the number of inhabitants of an administrative unit. This approach did not and still does not consider the actual need for financial resources. Recently we had a lowered fertility rate, which resulted in a decrease of child healthcare funding. However, this did not reflect the reality, as in fact the number of ill children increased. (Interviewee 9)

In 2011–2012, a new healthcare reform was initiated, as part of a programme of economic reforms for 2010–2014 set by the newly elected president of Ukraine. The presidential programme outlined the main problems of the healthcare system, stages of the reform and reform 'success indicators' (e.g., decreasing the rate of unofficial fees to 5%–7%), with which to evaluate the reform's achievements. However, the new policies neither referred to nor continued the previous government's attempts to change the healthcare financing system.

Starting on 1 January 2012, new legal and financial public healthcare mechanisms were probed in four pilot investigations in regional administrations[7] with the aim of improving the accessibility and effectiveness of medical services. However, to some

extent, this programme duplicated previous plans to change the intergovernmental relations of healthcare funding.

From [...] 2005 the European Union project 'Health Financing and Management in Ukraine' has aimed at changing the mechanisms of health care facilities financing in two pilot rayons [districts] in Kharkiv and Zhytomir regions, each with a population of approximately 35 000 (Lekhan *et al.*, 2007, p. 18).

A more technocratic government came into power in 2014. The new Minister of Finance also initiated a change in the budgetary system to reshape the healthcare financing system. Consequently, medical subvention (according to the Budget Code, intergovernmental transfer of healthcare funds) was introduced, which included additional local expenditures. As expected by reformers, the new regulation benefitted local actors, as follows:

- 1) The financial independence of municipalities increased. Before 2014, municipalities received transfers from regional authorities. Medical subvention allowed local governments to establish a direct link with a state budget, which partially solved the problem of healthcare fund redistribution, since some municipalities lacked residual funds after the regional allocation of healthcare expenditures.
- 2) The formula-based subvention included more local indicators, such as a financial ratio of budget adequacy (the level of financial provision guaranteed by the state to local governments at all levels), the number of local inhabitants and adjustment coefficients concerning the differences in costs for providing healthcare services.
- 3) Local governments were granted additional rights to use surplus in a future budgetary period to provide healthcare services. Before this, surplus was returned to the central budget.

Meanwhile, the period of 2014–2016 contained many changes to national healthcare policy. During these years, there were six different Ministers of Healthcare, each with his/her own vision of reform. The new public healthcare reform strategy was introduced in 2015 with a provision until 2020. Parliament approved several changes related to medical subvention recalculation requirements. In 2016, the new Minister suggested another concept of healthcare reform with a greater focus on the financing system, which was supported by the Cabinet of the Ministers. By the end of 2016, nine documents were approved to support this concept.

Now we are trying to clear up the mess after previous governments. There was no a coherent view on the healthcare reform before; since 1991, we had 22 Ministers of Healthcare and almost all had their own reform ideas regardless of the achievements of previous reforms or the current problems. It was so naïve to believe that just approving new legislature would actually improve the healthcare financing system. (Interviewee 14)

The Ukrainian central government's 'hyperactivity' in introducing new reform strategies and amendments to laws, although the latter might be positive *per se*, caused 'a paradox of extensive overproduction' (A'Gh, 2001, p. 242). Frequent changes of legislation and inconsistencies in the Semashko system influenced organizational behaviour, causing local actors to become active in articulating their perceptions of the reform.

We are unable to plan properly neither revenues nor expenditures of the budget. For example, in November [2015] we were holding public hearings on the draft city budget for the next year, where we discussed and planned incomes and expenses. And in January [2016], we suddenly found out that our planned revenues and expenditures do not correspond to the State budget. We as a "fire brigade" had to adjust already made decisions within 2 weeks, because the new budget does not correspond to the one we decided on the public hearings. (Interviewee 15)

Several colleagues from other regions, together with the Association of Cities of Ukraine [NGO], were trying to make an official statement and place a moratorium on legislative

changes, particularly on Budget and Tax Codes. I support this initiative. Local governments need time to stabilize and adopt a new framework. (Interviewee 11)

In summary, the central government's attempts to reform the healthcare financing system did not comprehensively or systematically address the main problems faced by local governments – that is, line-item budgeting and fund fragmentation. The reformers' ideas focused on creating new reform agendas and issuing different laws, instead of paying attention to the reformees' voices and accepting challenges in local practices. These findings reflect the 'reverse decoupling' concept, which will be elaborated in the following section.

Discussion

The aim of this paper is to explore inter-organizational interactions that might result in prolonged decoupling between central governments' ideas and local governments' practices during the reform of an institutional field (i.e., healthcare). To achieve this goal, we studied the centrally directed reform of the healthcare financing system in Ukraine, and focused on practices and reform ideas to explain the reasons for prolonged inter-organizational decoupling from the bottom-up perspective.

As presented in institutional theory literature, a traditional concept of decoupling focuses on organizations that face externally driven institutional pressures and symbolically adopt new structures without implementing them in practice (Boxenbaum and Jonsson, 2008). How organizations respond to institutional pressures has been extensively discussed in the literature, along with a wide range of strategic responses (Oliver, 1991) and even more suggested explanations for why decoupling occurs (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Brunsson, 1989). Table 4.1 compares traditional understanding of decoupling with the concept of reverse decoupling developed in this paper.

Considering the traditional understanding of decoupling, we propose the new concept of reverse decoupling. Reverse decoupling envisages the following situation: the Ukrainian central government introduced coercive institutional pressure by accepting reform strategies, issuing laws and amending them. Local governments tried to enact the reforms but struggled due to inconsistencies in the inherited Semashko system and reformers’ ‘hyperactivity’ in introducing new reform strategies and amendments to laws. The local governments, supported by NGOs, attempted to articulate these problems by issuing an official statement regarding the ever-changing regulations, thus applying challenging tactics. However, the central politicians seemed to ignore the problems affecting local governments with the healthcare financing system, and continued to introduce changes.

Table 4.1. Comparison of traditional and reverse decoupling

	Traditional decoupling	Reverse decoupling
Focus (<i>What?</i>)	Symbolic adoption of formal structures by organizations without their implementation in practice (Boxenbaum and Jonsson, 2008)	Mismatch between ideas and practices (i.e., reformers’ ideas and reformees’ practices)
Levels (<i>Where?</i>)	Extra-organizational level (Meyer and Rowan, 1977), intra-organizational level (Kern <i>et al.</i> , 2018) and organizational level (Boxenbaum and Jonsson, 2008)	Inter-organizational level (i.e., central government and local governments during the change in the institutional field – i.e., healthcare financing system reform)
Tactics (<i>How?</i>)	Variation of organizational strategic responses, from passive conformity to active resistance (Oliver, 1991)	Ignoring tactics of reformers despite challenging tactics of reformees
Reasons (<i>Why?</i>)	Due to coercive pressures (DiMaggio and Powell, 1983) or contradictory demands (Brunsson, 1989), or to maintain legitimacy (Meyer and Rowan, 1977)	Instability and lack of systemization of reformers’ ideas (i.e., high politician turnover, with each having their own vision of reform)

Thus, the two major problems caused by the Semashko system – line-item budgeting and the fragmentation of healthcare funds – were not addressed. One of the main

reasons why such a mismatch between reformers’ ideas and reformees’ practices remained for such a long time was a high turnover of reformers, each with his or her own vision for reforming the healthcare financing system. Figure 4.2 schematically shows the concept of reverse decoupling.

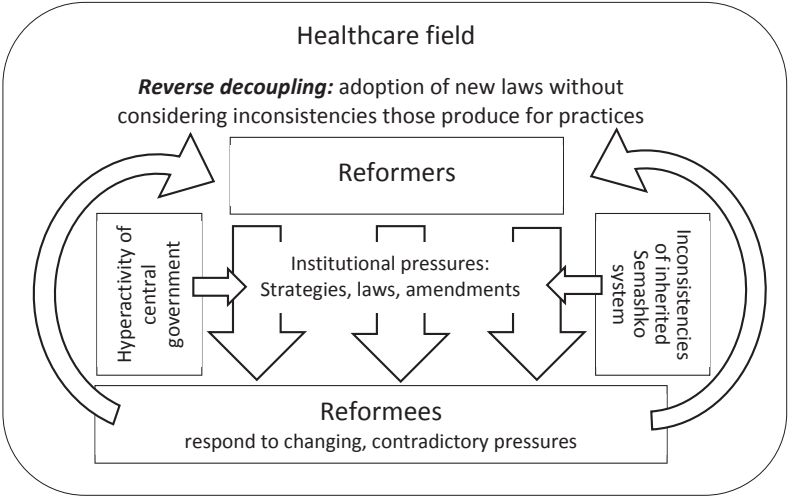


Figure 4.2. Reverse decoupling in the context of the Ukrainian healthcare financing system reform

To be concise, reverse decoupling involves a mismatch between reformers’ ideas and reformees’ practices. The Ukrainian case depicted a story of stability-seeking reformees, and reformers who ignored practical concerns. Several factors can explain the ignorance of the political leaders. First, they lacked comprehension of the healthcare system’s complexity, as experienced by post-Soviet countries (i.e., the transition from the Semashko system). Second and third, there was a high level of political turnover and legislature overproduction. Fourth, politicians launched reforms without analysing the results of their predecessors’ reforms. Finally, politicians did not pay attention to local responses to these reforms.

To conduct a successful reform, conformity between decisions made at the central level and local actions is required (Brunsson, 1989). Even though the reformees understood the failures of the reform and tried to convince reformers that the everyday reality of local governments differed from what was imagined by those inside the walls of the Parliament or Ministries, local problems were barely addressed at the central level.

Conclusion

Simultaneous metamorphoses of political and economic systems have given rise to several types of challenges for reforming countries with transitional economies (A'Gh, 2001; Hirsch and Bermiss, 2009). The Ukrainian case revealed that decoupling did not occur at an organizational level, as is usually argued in the literature (Fiss and Zajac, 2006). Empirical evidence showed that decoupling occurred at the central level through chaotic reforms over a quarter of a century. This study contributes to both literature streams of institutional theory and public management by illustrating the reverse decoupling case. As it is argued in this paper, organizations should not be viewed as 'passive recipients or political manipulators of institutional pressures' (Oliver, 1991, p. 174), but rather as active actors that challenge reformers' ideas for stability-seeking purposes.

In addition to the theoretical contribution, the study points to potential practical challenges that central governments may face when conducting similar reforms in the field of healthcare. In particular: (1) high uncertainty caused by economic transformations; (2) legislative overproduction; (3) neglected procedures for implementing laws that resulted in delays and setbacks. Thus, the findings might serve as an example for other CEE countries that reform their healthcare financing systems.

We propose several research directions for development: first, investigating mechanisms by which local governments can convey their practices to the central government; second, examining types of central governmental behaviour when trying to balance the pressures of international financial institutions and local governmental needs; and finally, conducting comparative studies to determine whether countries with similar backgrounds experience similar processes when conducting public sector reforms in general or specifically in the sphere of public healthcare.

Notes

1. The difference between these two concepts is acknowledged; in order to maintain consistency, decoupling and loose coupling are treated here as synonymous.
2. Figure developed by the authors (a simplified interpretation was applied for clarity in juxtaposing two decoupling concepts).
3. We define the healthcare financing system as a set of procedures starting from the collection of funds for healthcare to their further redistribution.
4. Citing Interviewee 8.
5. As of 2016: 490 district budgets, 178 city budgets and 24 regional budgets.
6. Quoting Interviewee 4.
7. Vinnitskiy, Dnipropetrovskiy, Donetsk regions and Kyiv city.

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Appendix 1

Table A4.1. Professional background of interviewees

Interviewee	Level	Position (on the date of interview)	Previous positions (if relevant)	Duration of interview in minutes (1 st /2 nd round)
1	Central	Adviser to Minister of Healthcare of Ukraine (2016–2017)	Public Finance Consultant at Coffey International Ltd (2011–2012)	90/50
2	Local	Economic expert at the Open Society Foundation, Kyiv		60/45
3	Central	Deputy of Ukraine, Chairman of the subcommittee on the evaluation of draft laws regarding the impact of budget figures and compliance with budget legislation, Parliament of Ukraine (2014–2016)		75
4	Local	Economic expert at the Open Society Foundation, Poltava		60/60
5	Central	Deputy of Ukraine, First Deputy Chairman of European Integration Committee, Parliament of Ukraine (2014–2016)	Deputy of Ukraine, member of the Budget Committee, Parliament of Ukraine (2007–2012)	50
6	Central	PhD, Head of the Department of Regional Development, National Institute for Strategic Studies of Ukraine		60
7	Central	Lecturer at National University	Deputy of Ukraine, member of the Budget Committee, Parliament of Ukraine (2011–2012)	30/30
8	Central	Member of the Board of the Institute of Civil Society (NGO)	Deputy of Ukraine, Chairman of the Subcommittee on Legislation, Parliament of Ukraine (1990–1994)	55
9	Local	Deputy Director of the Financial Policy Department, Cherkasy city council		60/45
10	Local	Economist of Category I of the Budget Department of Finance administration, Makarivska district administration		30/30
11	Local	Deputy Head of Healthcare department, Odesa regional administration		40
12	Local	Head of Sector of Planning and Financing of Healthcare, Education and Culture, Dnipropetrovsk regional administration		45/30
13	Local	Senior specialist in HR, planning and accounting, Department of Healthcare Management, Volyn regional administration		40
14	Central	Deputy Head of the Ministry of Healthcare of Ukraine (2016–2017)		40
15	Local	Head of Healthcare sector, Fastiv city council		40

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Public Sector Reforms in Ukraine: Roles Played by Global and Local
Agents in Implementing Converging and Diverging Changes

To date much has been said about public sector reforms worldwide. Diffusion of similar reform ideas is evident, as numerous studies confirmed implementation of reform packages, which in many cases were guided by the New Public Management agenda. At the same time, the debate on public management reforms' implementation varies. While some studies provide successful examples of the implementation of new public management practices, the others point to failures of reforms in achieving their goals. Despite a growing debate on promises and results of public sector reforms, relatively less is known about the role of an individual actor or groups in the reform process and their influence on the reforms' outcomes.

The aim of the thesis is to further the understanding of roles, actions of and inactions between change agents at different organizational levels during a complex process of public sector reforms, which might have diverging outcomes. Specifically, the thesis explores *how global and local change agents influenced the process of public sector reforms and how this reflected on reforms' outcomes*. Theoretically, the thesis is framed around the discussion of the tension between exogenous and endogenous pressures for convergence and divergence and combines concepts from neo-institutional and cognitive theories to shed light on change agents, their roles and interactions during public sector reforms. Contextually, the thesis focuses on the process and results of the reforms in a Central Eastern European country – Ukraine.

The thesis is structured as a collection of four papers. First, the readers are introduced to the development of public sector reforms in Central Eastern Europe and former Soviet Union countries through an analysis of reforms' trajectories over 1991-2017 (Paper 1). The following three empirical qualitative papers focus on change agents, their actions and interactions between them in three different public sector reforms' cases in the context of Ukraine. In particular, interaction between global and local change agents during the public financial management reform (Paper 2), the interaction between change agents within a country on macro- and meso-levels during the healthcare financial system reform (Paper 3) and micro-level change agents' perceptions of and actions when facing incited voluntary amalgamation reform (Paper 4).

The thesis contributes to the debate on public sector reforms in developing countries by discussing the tension between pressures for convergence and divergence as an interactive process between change agents on multiple organizational levels. By addressing such issues as global vs local reform agendas, reform ideas vs practices, and practice diversities conditioned by cognitive processes, this study stresses the importance of change agents as those influencing and transforming public sector practices.