

Author's accepted manuscript (postprint)

Performance budgeting as a “creative distraction” of accountability relations in one Russian municipality

Aleksandrov, E., Bourmistrov, A. & Grossi, G.

Published in: Journal of Accounting in Emerging Economies

DOI: 10.1108/JAEE-08-2019-0164

Available online: 07 May 2020

Citation:

Aleksandrov, E., Bourmistrov, A. & Grossi, G. (2020). Performance budgeting as a “creative distraction” of accountability relations in one Russian municipality. *Journal of Accounting in Emerging Economies*, 10(3), 399-424. doi: 10.1108/JAEE-08-2019-0164

This author accepted manuscript is made available under a Creative Commons Attribution Non-commercial 4.0 International ([CC-BY-NC](https://creativecommons.org/licenses/by-nc/4.0/)) license. This means that anyone may distribute, adapt, and build upon the work for non-commercial purposes, subject to full attribution. If you wish to use this manuscript for commercial purposes, please contact permissions@emerald.com.

This is an Accepted Manuscript of an article published by Emerald in *Journal of Accounting in Emerging Economies* on 07/05/2020, available online: <https://www.emerald.com/insight/content/doi/10.1108/JAEE-08-2019-0164/full/html>

Performance budgeting as a ‘creative distraction’ of accountability relations in one Russian municipality

Abstract

Purpose – The paper explores how the implementation of performance budgeting unfolds public managers’ attention and responses to competing accountability demands over time.

Design/methodology/approach – This is a longitudinal study of one Russian municipality’s implementation of PB under central government pressures during 2013–2017. Using triangulation of 25 interviews, documentary analysis and field observations, we employed institutional logics to guide the study.

Findings – The paper demonstrates the dynamic properties of PB construction under competing accountability demands via the ‘creative distraction’ metaphor. PB was a ‘distraction’ mechanism, which, on one hand, strengthened external accountability, while, on the other, distracting the municipality from internal municipal demands. Nevertheless, this ‘distraction’ was also ‘creative’, as it produced pro-active responses to competing accountability demands and creative effects over time. Specifically, PB also led to elements of creative PB negotiations between departments when managers started cooperating with redirecting the irrelevant constraints of performance information in budgeting into necessary manipulations for municipal survival. The demonstrated ‘creative distraction’ is explained by the changing institutional logics of public managers supplemented by a set of individual factors.

Originality/value – The paper responds to the recent calls to study PB practice under several accountability demands over time. In this regard, we show the value of public managers’ existing institutional logics as they shape PB’s capacity to balance competing accountability demands. As we revealed, this capacity can be limited, due to possible misalignment between managers’ attention toward “what to give an account for” during budget formation (input orientation driven by OPA logic) and “what is demanded” with the introduction of PB (output orientation driven by NPM logic). Yet, the elements of proactive managerial responses are still evident over time, explained by a set of individual factors within the presented case, namely: learning NPM logic, strengthened informal relationships and a common saturation point reflected by managers.

Keywords – performance budgeting; external/internal accountability; Russia; municipality; institutional logics; attention; New Public Management.

Paper type – Research paper

Introduction

The past three decades have shown a growing trend among countries to enforce new management accounting tools, to booster efficiency, performance and accountability under the New Public Management (NPM) agenda (Lapsley, 2009). Nevertheless, the current literature increasingly acknowledges the problematic nature of relations between performance and accountability (amongst others e.g. Bovens, 2010; Christensen & Lægreid, 2015). The dilemma appears in the difficulty of dealing with the different and potentially competing accountability demands and divergent interests of stakeholders within the public sector (Brignall & Modell, 2000; Gebreiter & Hidayah, 2019; Mimba et al., 2013; Tillema et al., 2010). Particular attention in the literature is paid to the importance of public managers considering that powerful external demands for performance information (e.g. funding bodies) will not necessarily align with internal demands¹ (e.g. local council and citizens in general).

Previous research has proposed various strategic responses of public managers in the context of local governments, including de-coupling of performance information and finding compromises between divergent interests (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010). At the same time, despite the evidence of strategic responses, the literature increasingly acknowledges that NPM management accounting tools lead to paralyzing effects, e.g. managerial demands' domination and accountability for accountability's sake rather than performance (amongst others e.g. Dubnick, 2011; Olsen, 2014; Bovens et al., 2014; Christensen & Lægreid, 2015). While such effects are discussed from the strategic capacity side of public managers (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010) and technical complications (e.g. Bleyen et al., 2017), understanding of the relationship between the implementation of new management accounting tools and subjective managerial responses under competing accountability demands over time is still in short supply (Bouckaert & Halligan, 2007; Cuganesan, 2017; Van Dooren et al., 2015). This generally motivates the paper's interest in studying the possible dynamics between accountability and public managers' diffusion of new NPM-inspired techniques in practice over time. Specifically, the paper explores the case of performance budgeting's (PB) implementation.

¹ While we acknowledge different types and classifications of accountability (Sinclair, 1995; Bovens, 2007, 2010; Byrkjeflot et al., 2014), we make a general distinction between internal and external accountability, to bring the main arguments of competing accountabilities into the focus of the paper. In addition, we also acknowledge the previous classifications of main stakeholders' interests as stereotypes which can be combined (Mimba et al., 2013, p. 18).

Alongside other NPM tools, PB aims to link accountability and performance, making public officials accountable, by specifying goals and objectives in terms of policy outputs and outcomes, while giving them more discretion in the means to accomplish those goals and objectives (Arellano-Gault & Gil-García, 2004). However, recent studies acknowledge the more nuanced accountability issues in PB (Cuganesan, 2017), with PB actively constituting accountability arrangements. This potentially leads to the ‘distraction effect’; i.e., public managers are too focused on meeting external accountability demands for performance, thus forgetting internal demands (Christensen & Lægreid, 2015; Van Dooren et al., 2015). Yet, while studies examine possible strategic responses, along with some technical complications related to observed distractions, little is known about how PB shapes public managers’ attention regarding performance demands and related capacities for strategic responses over time. In this regard, we explore: *how the implementation of performance budgeting unfolds public managers’ attention and responses to competing accountability demands over time*. This investigation becomes critical for understanding the circumstances and mechanisms in which new management accounting tools can have an overall positive effect within the linking of performance and accountability (Christensen & Lægreid, 2015).

In this regard, theoretically, drawing broadly on institutional logics (Damayanthi & Gooneratne, 2017; Thornton & Ocasio, 2008; Thornton et al., 2012), we examine the implementation of PB as a process constituted by public managers’ existing social beliefs and values within the organization, i.e. logics. Based on this approach, budget construction under several accountability demands by managers in practice is seen not as a technical or strategic issue but rather as a meaningful and consequential process of “giving of accounts for future actions” (Olson et al., 2001), which is based on the divergent logics in place (ter Bogt & van Helden, 2011). Accordingly, this approach is valuable, as it assumes there could be misalignment between managers’ focus on “what to give an account for” during budget construction and “what is demanded” with the introduction of PB. In addition, this approach also gives the ability to trace and explain the possible dynamics of PB implementation and public managers' responses to competing accountability demands.

Empirically, the paper studies the budgeting practices of public managers in one Russian municipality, when central authorities enforced new performance-oriented principles for budgeting, to boost performance and accountability. The Russian municipal setting is valuable for examination, due to the recent rigid NPM reforms (for overview see Aleksandrov & Timoshenko, 2018). One main element of these was the central state’s dominant role in

managing resources in a top-down manner and the introduction of new management control tools such as PB without a period of adaptation and expertise building (Khodachek & Timoshenko, 2017; Zherebtsov, 2014). In this way, the selected case becomes a critical example of dominant external accountability demands from upper-level authority (Mimba et al., 2013; Tillema et al., 2010). In addition, the study responds to increasing calls to study public sector management accounting and accountability practices in less-developed economies, taking historical developments, institutional complexity and traditions into account (Sulu-Gambari et al., 2018; van Helden & Uddin, 2016). Drawing on triangulation of documentary analysis, observations and 25 interviews with public managers, the paper presents a detailed empirical narrative of managers' practices in relation to PB construction under external (upper level authorities) and internal accountability (citizens and local council) demands during 2013–2017.

The remainder of this paper is structured as follows. First, theoretical considerations are presented as an overview of PB and accountability literature, along with an institutional logics perspective. The qualitative method and research setting are then described, followed by a brief description of PB's introduction in Russian municipalities. Thirdly, empirical findings are presented, along with analysis, discussion, and conclusions.

Accountability distraction in the public sector and the role of performance budgeting within it

As the literature suggests, accountability is a multifaceted and socially constructed concept within the public sector, with the basic idea of “giving and demanding reasons for conduct” (Roberts & Scapens, 1985). The multifacetedness reflects the multiple classifications of who is giving the account (i.e. actor) and who is demanding (i.e. forum) what and why (i.e. information/“accounts” and rationality) (Bovens, 2007, 2010). Social construction supposes that accountability and its various metamorphoses depend on the ideologies and language of the time (Sinclair, 1995). In this regard, the past three decades have shown growing managerial ideology and language (Budding & Grossi, 2015), where new management accounting tools have been forced into the public sector to booster efficiency and accountability under the NPM agenda (Lapsley, 2009). However, how have new tools progressed in this task, considering the multifaced nature of accountability?

According to the literature, new accounting and budgeting tools create difficulty for public managers (i.e. actors) in dealing with accountability demands from different forums

(amongst others e.g. Bovens, 2010; Christensen & Lægreid, 2015). As a part of management control and political process, the budget represents an important mechanism of accountability relations, through which actors (e.g. executives who prepare budget drafts) give accounts for future actions to multiple forums (e.g. local council and external funding agency), who demand and judge the provided accounts (Bovens, 2007; Olson et al., 2001). In that sense, external accountability at the local government level will reflect relations between local executives and upper government levels, who can mandate local government expenditures (Rubin, 2019). Internal accountability will be more connected with political dimensions of the budget as a tool “for giving accounts of future actions to” and “demanded by” politicians and citizens in general in local government (Byrkjeflot et al., 2014; Czarniawska-Joerges & Jacobsson, 1989; Wildavsky, 1964). In other words, it is built on a chain or set of principal-agent relationships, where citizens delegate their sovereignty to politicians, who further delegate authority to executives, making them accountable for their actions (Byrkjeflot et al., 2014). While traditional budgeting would argue that it is a process in which actors and forums have common input accountability focus (Olson et al., 2001), the introduction of performance information in budgeting makes accountability arrangements more nuanced regarding performance (output and outcome) (Cuganesan, 2017).

Most discussed in this sense is the dilemma of competing accountabilities in the public sector, where the introduction of new performance-oriented principles requires public managers to consider multiple performance demands which might be in tension (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010): some powerful stakeholders might be more interested in input/financial performance (e.g. funding bodies), while others might be more concerned with outputs and outcomes or even have hybrid performance demands (e.g. statutory boards). Theoretically, PB aims to link accountability and performance, making public officials accountable by specifying outputs and outcomes for managers, while giving them more discretion in the means to accomplish those goals and objectives (Arellano-Gault & Gil-García, 2004). Practically, increasingly studies show that, under several accountability forums, there could be tension between future externally and internally demanded performance accounts, leading to public managers becoming distracted from real performance itself (amongst others e.g. Bovens, 2010; Christensen & Lægreid, 2015). In other words, the dilemma surrounding PB’s introduction is that upper-level authorities’ performance demands can be based on standardized accounts, which are not adapted to – and even contradict – local needs (Wällstedt & Almqvist, 2017). It is especially relevant to reflect upon this dilemma under a centralized

budget tradition and the state's role in allocating resources in a top-down manner (van Helden & Uddin, 2016). In such conditions, dependence on external resources has often resulted in managers' focus being dominated by external accountability, resulting in their distraction from internal accountability demands (Christensen & Lægreid, 2015; Van Dooren et al., 2015).

In the long run, it is evident that this dilemma can lead to paralyzing effects and negative consequences for the public sector. Dubnick (2005, 2011) raises concerns about the "accountability paradox" and "reformist paradox", where new tools and reforms complicate existing accountability relations and diminish organizational performance in the public sector. Bovens (2010) and colleagues (Bovens et al., 2014; Schillemans & Bovens, 2011) point out the accountability overload effect, with the dominant managerial language. Moreover, such developments documented the fragmentation of public sector units and the so-called "accountability trap" and "evaluatory trap", with public managers involved in accountability for accountability's sake rather than performance (Bouckaert & Halligan, 2007; Christensen & Lægreid, 2015; Moynihan, 2005; Olsen, 2014; Olson et al., 2001).

Summing up, along with other NPM accounting tools, PB was documented as a constitutive element of public managers' distraction – in favor of external accountability and to the detriment of internal demands. However, while many studies reveal the cause-effect relations (i.e. PB and NPM tools in general lead to distraction) and the associated negative consequences, a thorough understanding of explanations for the underlying reasons remains in short supply. Of particular value is the call for empirical research on the underlying processes related to PB construction by public managers under potentially conflicting accountability demands over time (Bouckaert & Halligan, 2007; Cuganesan, 2017; Van Dooren et al., 2015). Previous research revealed technical challenges connected with performance information overload in PB (e.g. Bleyen et al., 2017). In a broader scope of performance measurement and management literature, it is suggested that public managers in local government agencies can form different strategic responses to competing accountability demands, including compliance, finding compromises, decoupling, loose-coupling (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010) and even manipulations (Bogt et al., 2015). At the same time, Brignall and Modell (2000) acknowledge that strategic responses are not always pre-given or explicit, and such a perspective must be supplemented with greater focus on actors' subjective/individual interpretations of stability and change in PM practices over time. Focusing only on the input-based funding situation, Tillema et al. (2010) also stress the possibilities of the more nuanced and dynamic behavior of managers with more output-based

approaches to performance such as PB. Gebreiter and Hidayah (2019) argue that, similar to local governments agencies, individual actors can also have coincident responses to conflicting accountability pressures; they propose further studies to examine the relationship of these responses to the subjective rationales of actors in specific cases. Therefore, while providing valuable insights from the technical side and on rational capacity to act in relation to competing accountability demands, these studies ignore the assumption that public managers do not always act strategically and commonly understand accountability demands and related performance accounts in the budgeting process (Moynihan, 2005). In other words, public budgeting is not only an instrumental and political process (Rubin, 2019; Wildavsky, 1964); it is also a socially-held process, which shapes and is shaped by organizational context (Czarniawska-Joerges & Jacobsson, 1989). In this case, an explanation for the distraction effect might lie in the assumption that, during the implementation of PB, strategic responses will be shaped by the particular budgeting rationales in place. This assumption applies to understanding how, in budgeting practice, public managers come to focus their attention on competing accountability demands and the related responses in their construction of performance accounts over time. Our ambition, therefore, is to generate more analytical knowledge related to public managers' construction of PB, applying the institutional logics approach presented below. By these means, we respond to increasing calls to switch attention from the distractive nature of PB and NPM tools to a deeper understanding of how to achieve an overall functional effect in linking performance and accountability (Bleyen et al., 2017; Christensen & Læg Reid, 2015).

Application of institutional logics in understanding PB construction under distinctive accountability demands

Broadly speaking, the institutional logics perspective suggests understanding how organizational fields are constructed (Thornton & Ocasio, 2008; Thornton et al., 2012). Institutional logics are defined as socially constructed, historical patterns of cultural symbols and material practices, by which individuals and organizations provide meaning to their social realities (Thornton & Ocasio, 2008). In other words, institutional logics in organizations “represent frames of reference that condition actors’ choices for sense-making, the vocabulary they use to motivate action, and their sense of self and identity” (Thornton et al., 2012, p.2). Therefore, the perspective explicates how broad belief systems shape organizational fields in general and the way in which individuals and groups conceive the organizational world and related practices (Lounsbury, 2008; Modell et al., 2017).

Institutional logics have gained increasing attention in management accounting studies in the last decade, as a valuable lens to capture social aspects in relation to the formation of management control systems and change (for overview see Damayanthi & Gooneratne, 2017). Specifically, it is valuable for capturing the micro-processes of change, in relation to new management accounting tools and variation in their practice under several logics (Damayanthi & Gooneratne, 2017; Lounsbury, 2008). This approach suggests that the implementation and development of new management accounting tools is dependent on the actions of individuals or groups, who draw on diverse logics to render their related actions meaningful and consensual (Modell et al., 2017), rather than solely exercising agency and acting strategically (Bogt et al., 2015; Mimba et al., 2013; Tillema et al., 2010).

Applying an understanding of PB construction under distinctive accountability demands, the following valuable insights can be captured from the institutional logics' perspective, therefore forming the theoretical frame for the current study (Figure 1).

[insert Figure 1 here]

Figure 1. Institutional logics perspective on PB construction under distinctive accountability demands

The point of departure is that the implementation of PB can be seen as a process constituted by public managers' existing social beliefs and values within the organization, i.e. logics. Based on this approach, budget construction under several accountability demands (see Forum 1 and Forum 2 on Figure 1) by managers (i.e. Actor on Figure 1) in practice is not seen as a technical, political or strategic issue but, rather, as a subjectively held process (Czarniawska-Joerges & Jacobsson, 1989) of "giving of accounts for future actions" (Olson et al., 2001), which is based on divergent logics (see two rectangles with blue edges). In other words, it becomes the mental/cognitive process, where managers' focus of attention in budgeting depends on particular knowledge (schemas) regarding institutional logics available and accessible in the particular organization (Thornton et al., 2012, pp. 90-98).

Several previous studies on public budgeting in general and PB in particular have applied the ideas of institutional logics. According to previous literature, budgeting, in general, serves a given institutional logic in the public sector (Anessi-Pessina et al., 2016), while becoming a conduit for the new logic formation and mediation mechanism for competing logics' co-

existence (Ezzamel et al., 2012). In other words, budget construction both is shaped by the existing logic of managers and shapes a related shift in logics in the case of new techniques such as PB (Anessi-Pessina et al., 2016).

Most discussed in this regard is the related shift in two institutional logics in the public sector, namely: old public administration (OPA) logic and NPM logic (Ferry & Eckersley, 2018; Grossi et al., 2018; ter Bogt & van Helden, 2011). OPA logic suggests that budget formation is based on input orientation, i.e. traditional input budget construction (ter Bogt & van Helden, 2011) and, therefore, the input focus of attention in budget accountability, i.e. giving and demanding future input accounts to conduct (see Figure 1, left rectangles with red edges). In other words, such logic is also described as “budgetary stewardship”, suggesting managers’ heavy reliance on input monitoring revenues, expenditure, other financial indicators and balanced budgets (Ferry & Eckersley, 2018). NPM logic suggests that budget formation is based on output/outcome orientation (ter Bogt & van Helden, 2011) and, therefore, the output focus of attention in budget accountability (see Figure 1, right rectangles with red edges). In other words, NPM logic is also described as “performance improvement” logic, suggesting heavy reliance on targets, indicators, performance reporting, benchmarking and ‘league tables’ (Ferry & Eckersley, 2018).

In relation to Forum 1 (see Figure 1), upper-level authorities may demand specific activities and input/outputs/outcome performed by local government in a frame of delegated mandates with the use of PB (Rubin, 2019). Forum 2 suggests the political nature of the budgeting process, where citizens hold officials accountable for their promises through the budget (Byrkjeflot et al., 2014). In that sense, budget construction by public managers is expected to be based on local officials’ promises and local interests, therefore reflecting local/internal accountability demands (Wildavsky, 1964). Theoretically, the introduction of a new technique such as PB brings new NPM logic for managers and politicians regarding the construction and approval of the budget accounts and output accountability focus. However, as literature suggests (Ferry & Eckersley, 2018; ter Bogt & van Helden, 2011), in practice, this process of shifting logics from OPA to NPM is non-linear: public managers can start working with PB and its related construction and provision of performance accounts, with OPA logic in place (see red arrow on Figure 1). Therefore, an institutional logics approach would suggest that, with the introduction of PB, managers’ responses and their strategic capacities will be dependent on particular awareness regarding available and accessible institutional logics. Accordingly, with the introduction of PB, there could be misalignment/incoherence between

managers' focus on "what to give an account for" during budget formation (input-orientation driven by OPA logic) and "what is demanded" (output orientation driven by NPM logic) by Forum 1 and Forum 2.

Previous studies have focused on how particular logics shape accountability pressures (Gebreiter & Hidayah, 2019) and how actors can form a variety of responses to competing logics and related accountability pressures. Our theoretical framework, in its turn, switches attention from accountability being shaped by logics to understanding the role of OPA and NPM logics in public managers' formation of responses to competing accountability demands over time. As Pache and Santos (2013) suggest, the individual responses of actors in that sense will be dependent on their adherence, i.e. the extent to which they are familiar with and committed to a particular logic. Therefore, in applying to the PB case, our theoretical framework suggests that public managers can have dynamic responses to competing accountability demands, depending on several possible situations presented in Figure 1. Firstly, in the case of OPA logic dominance in the PB process, public managers' responses to competing accountability demands will possibly lead to a distraction effect, due to misalignment of what to give an account for and what is demanded. Secondly, in the case of NPM logic dominance in the PB process, public managers' responses to competing accountability demands will possibly lead to more strategic responses (e.g. de-coupling and compromises), with alignment of what to give an account for and what is demanded. While the possible help of external advisers in solving this potential misalignment/incoherence has already been revealed (ter Bogt & van Helden, 2011), an understanding of whether and how it progresses in practice by itself remains limited, along with its role in shaping managers' responses.

In this regard, the paper tries to understand this progress, through an empirical illustration of public managers' budgeting practices in one Russian municipality during the introduction of PB. Analytically, the paper examines and reports shifts (stability) in the managers' existing logics in budget construction and related (mis)alignment between given performance accounts and competing accountability demands over time. Responding to call to search for the dynamics in managers' responses to competing performance demands (Brignall & Modell, 2000), we follow institutional logics' argument that change and some more pro-active responses by actors can happen when a contradiction between logics becomes evident and accepted by those actors (Modell, 2015). At the same time, contextual factors, individual characteristics of actors and the organization can also affect how this contradiction can be employed in budgeting and the organization in general (Conrath-Hargreaves & Wüstemann, 2019; Ferry & Eckersley, 2018;

Gebreiter & Hidayah, 2019). In this regard, analytically, in cases of changes in public managers' responses, we also track the possible individual and contextual factors that lay behind them.

Method

The paper represents qualitative research, applying the case-study strategy (Scapens, 2004). Our phenomenon in focus is managers' practices in relation to PB construction under external and internal accountability demands during 2013–2017, in one Russian municipality as a research setting. In this regard, empirically, the paper introduces the reader to public managers' budgeting practices just after the central authorities had enforced PB as the new performance-oriented principle, to boost performance and accountability. The data was gathered during 2015–2017 via triangulation of documentary analysis, short-term observations and 25 interviews with municipal officers in relation to new budgeting techniques.

The point of departure was extensive data collection during a one-month visit to the municipality in 2015 by one of the authors, who was afforded the opportunity to go deeply into the municipal environment as an observer and gather rich data, using internal sources. Before the visit, a variety of written material was accessed, such as Russian scientific literature, newspaper articles and official legislation documents related to budgeting processes in Russia and the selected municipality in particular. This preliminary analysis gave the ability to apply for the one-month visit with a general understanding of new budgeting processes within the PB framework in the municipality and the Russian public sector in general. During the visit, a variety of internal documentation related to PB was provided by respondents. It included summaries of the minutes of meetings related to PB and transcripts of different events related to the budget process (public hearings, presentation of budget/programs/reports by executives and its discussion with municipal council members). In addition, documentary analysis became a cross-check of oral accounts conducted during the visit and vice versa. Another cross-check was also performed via observations of three internal meetings (30–40 minutes each) regarding the evaluation of PB implementation in 2015.

Regarding oral accounts, during the visit, 15 semi-structured interviews were conducted with heads and officers of municipal departments working directly with PB (hereafter, public managers). The general goal of these interviews was to better understand what was happening in the municipality regarding the introduction of PB. In this regard, interviewees were asked to reflect freely on issues they believed relevant to the study. Interviews included general concerns

about when and why they started working with PB, what was new and how it differed from previous budgetary work in the department, what challenges occurred during implementation and how they were handled. This initial round of interviews provided the chance to sort out further issues for investigation and the possibility of narrowing down the municipal scope for a longitudinal investigation.

Specifically, further investigation of the phenomenon during 2015–2017 was based on collecting data from only five administration departments (see Appendix 1), namely: (1) the Financial Department (hereafter, FD), (2) the Department of Economy and Investment (hereafter, DEI), (3) the Education Department (hereafter, ED), (4) the Transport Department (hereafter, TD) and (5) the Department of Sport, Culture and Tourism (hereafter, SCT). The first two departments were selected as being key players in PB's introduction. The latter three were selected due to the complexity of services they provided at the municipal level, compared to other departments, as well as interviewees' extensive reflection of PB's role in these departments' functionality. While the author acknowledges this as a limitation of the study, it is stressed that such an approach gave the ability to investigate and show micro details of departmental work in relation to construction of PB accounts under several accountability demands, which are required in the literature (Bouckaert & Halligan, 2007; Cuganesan, 2017; Van Dooren et al., 2015). During 2016–2017, 10 interviews were held with five department heads (each was interviewed in 2016 and 2017, accordingly) along with documentary analysis.

In total, 25 interviews were conducted, each lasting around 40–80 minutes, with note-taking and tape-recording, depending on respondents' permission. No tape-recording occurred during the initial round of interviews, in order to ensure respondents' conversations were 'relaxed'. Interview notes were summarized just after the interviews and sent to respondents for approval and additional insights. Furthermore, some observations, field notes, and self-reflection on the interview results were written as a research diary during the entire study period.

Data analysis was performed on the basis of our presented theoretical ideas, i.e. the role of public managers' institutional logics in budget formation and their corresponding attention and construction of PB accounts over time under internal and external accountability demands. The sentences/phrases from interview transcripts, documents and notes were highlighted and coded accordingly, with further key quotes' illustration. Below, we present a short empirical background to the case a detailed empirical narrative of three stages which were identified and constructed by our interpretation of the main notes from the collected data.

Empirical background

The municipality under investigation is located in the northwest of Russia, with around 70–80,000 inhabitants. The administrative structure comprises the legislative (representative) council, the head of the municipality (the mayor), and the local administration chaired by the head who is hired by the representative council. The representative council consists of 36 deputies, elected by residents for a five-year period with legislative function. The mayor, as the highest official within the jurisdiction of the municipality and elected by the representative council, manages the council, represents the municipality in general and issues legal acts within the limits of his/her authority. The local administration, as an executive body, is structured into several committees/departments².

According to legislation, the local executive body is *de jure* firstly accountable for its actions and decisions regarding municipal responsibilities (e.g. secondary education, sport, culture, transport infrastructure), to the representative council, therefore forming internal accountability relations. The legislators, i.e. politicians, in their turn, are supposed to bear political accountability to municipal inhabitants and ensure that local promises are performed through the budget. External accountability relations, in their turn, are regulated by the Budget Code, suggesting local government is accountable for delegated responsibilities to regional and federal branches of government, while having relatively strong freedom in policy priorities' formation on a local level. Therefore, in line with the literature (Rubin, 2019), budgetary decision-making is supposed to reflect the relative power of budget actors within and between branches of government, along with importance of the citizen dimension.

However, in fact, Russian municipalities in general are subject to strong external accountability (Klimanov & Mikhailova, 2011). This is generally connected to the fiscal stress of Russian municipalities, as a growing discrepancy between fiscal autonomy and spending mandates within municipal responsibilities has to be bridged by grants from regional and federal authorities (Kraan et al., 2008; World Bank report, 2014). In the case of a selected municipality, the share of grants in the municipal budget revenue side grew from around 49% in 2009 to 63% in 2014. Such practices in turn led to the rather symbolic autonomy of municipalities, in terms of the budget's local expenditure being formed by internal demands alone. In this regard, despite the legal principle of municipalities' local autonomy from regional and federal governments, in practice the executive body has to consider the condition of “who

² Finance; Economy and Investment; Education; Transport; Social Welfare; Municipal Property Management; Architecture; Sport, Culture and Tourism; Environment Protection; International Relations; Entrepreneurial Support.

pays most” to give the account of municipal actions related to its responsibilities, which is also referred to as “vertical of power” (Khodachek & Timoshenko, 2017). Therefore, local budgets are heavily controlled by, and largely comply with, federal and regional funding priorities in Russia (Klimanov & Mikhaillova, 2011). This, in turn, has direct repercussions for the role of the local legislative council, which plays rather a ceremonial role in municipal affairs, leading to the “depoliticization” of the budgeting process at the municipal level in terms of allocation of resources for specific policy fields (Aleksandrov & Timoshenko, 2018).

As our interviewees revealed, regarding the budget, municipal policy priorities indeed have to be aligned with national ones, but then not all of them are coherent with what is actually important on a local level:

Most Russian municipalities are on the edge of survival, and it is not in our hands in most cases. We [politicians and administration] could decide how to allocate X resources to secondary education, sport, etc., but this would be very symbolic, since the real decisions anyway will be dependent on upper-level funding, even though people have other thoughts about what is really important. [FD Head, 2015]

There is strong discretion regarding how municipalities are in Russia, in terms of population, cultural and socio-economic development. Unfortunately, there – on top [federal government] – they do not care about all these things... Why should we allocate X to secondary education, if local people know that there is a disaster with roads and sport development in the city, for example? [ED Head, 2015]

In that sense, in the presented case, there was tension regarding what was demanded internally and externally in terms of the input aspects of local budgeting. At the same time, it is evident that, before 2014, the local council still had the freedom to demand the specific activities and local “promises” to citizens that could be performed within specific national policy areas. Before 2014, budgeting practice was based on a traditional incremental principle, with three-year projections, commencing each spring. The local executive body made the budget draft, based on socio-economic development forecasts, financial projections of grants from upper-level authorities (to stipulate adequate funding of responsibilities) and the demands of the legislative council. As reflected by our informants, since it was based on input financial measures, it still conferred some freedom to use grants for necessary local activities within the bigger national priorities (e.g. comprising education, development, and maintenance of social and transport infrastructure). For politicians, this practice meant some flexibility to ensure that local promises were still reflected in the budget after approval, even though municipal policy

priorities were marginalized in favor of upper-level input demands. The only case of more sophisticated external accountability was the so-called “long-term targeted regional and federal programs”, which supposed that specific grants would be given to the municipality, based on the fulfillment of regional and federal priorities for public sector development (e.g. development of secondary education in the northwest). Such priorities supposed the municipality would deliver specific projections of task implementation, measured in percentages. According to informants, such result-orientation was rather symbolic, giving the ability to receive extra funds for municipality activities without any concrete performance demands.

While the presented situation in the selected municipality still suggested some freedom for the municipality to balance internal and external accountability demands by means of inputs, the situation became more problematic with the introduction of PB. The federal central decision about PB adoption at the municipality level was made at the end of 2013, with obligatory implementation in 2014, under the official name of “program-based budgeting”. It corresponds to the mixture of performance budgeting (OECD, 2008) and program budgeting (Robinson, 2007), also referred to as a hybrid model in general (Schick, 2014) and in Russia in particular (Khodachek & Timoshenko, 2017). Specifically, according to the new rules, the municipal budget should be structured according to the objectives of the government, via program documents with specific deliverables (products of programs), which, in turn, include performance measures to inform whether the particular program is achieving its objectives for a specific amount of funding. Following this logic, at the municipal level, budget allocations should be based on proposed performance through projections of outputs (performance indicators) and the identification of outcomes. Therefore, reflecting on OECD typologies of PB (2007), the Russian case lies between performance-informed and direct performance budgeting, since, in receiving particular amounts of funding, local governments have to meet the performance targets of upper-level authorities. In such conditions, the former freedom regarding internal activities enjoyed within the municipality’s specific policy fields becomes dependent not only on input demands but also on outputs and outcomes, therefore creating tension regarding external demands and local needs discretion³:

If we could not decide on the amount of resources going to schools [before 2014], we could at least decide what activities we could hold and what promises we could deliver

³ While illustrating tension between external and internal accountability demands, the presented quotation did not reflect the general awareness of this issue by all actors at the beginning of PB implementation. We reflect on this further in the empirical findings.

to the people with that budget amount. Now, you need to give an account for what is dictated by them [upper-level authorities], even if it is totally useless for the people.
[ED Head, 2015]

Alongside the new PB approach to be implemented in 2014 for the three-year budget, 2015–2017, the municipality under investigation attracted attention due to public discussion of its current fiscal crisis. Specifically, the municipality was involved in a financial scandal, spun by regional mass media in 2013, when its debt reached around 40% of its own revenues to cover spending mandates within municipal responsibilities. In such conditions of local and upper-government ‘indignation’, in parallel with central government pressures for implementation, PB was propagandized as an efficient instrument for municipal sustainability while strengthening accountability. In this regard, the following section presents the empirical narrative of managers’ practices in relation to PB construction under external and internal accountability demands during 2013–2017.

Empirical findings

Stage 1. Acknowledging accountability demands but not their difference: construction of PB accounts with the “old way of thinking” (2013–2014)

The first stage we identified was the development of guidelines for administration departments in 2013 and the construction of the first budget on the performance principle in 2014. Initial acknowledgment of the importance of external accountability, alongside internal demands, in the budgeting process was evident in the municipal budget policy document for 2014–2017, which stated “budget priorities alignment with corresponding local responsibility mandates and mandates delegated from upper-level authorities” (p.3). However, the guidelines and first construction of PB accounts were somewhat more nuanced. As our documentary analysis and interviewees demonstrated, along with other Russian public sector reforms (Khodachek & Timoshenko, 2017), PB was introduced within a short time frame for expertise building, resulting in a “pushy way of doing things”, based on “personal understanding of how to handle PB in practice” (DEI Head, 2015). Two different ways of recognizing PB were observed in public managers’ practices.

The first way of recognizing PB was reflected in the fact that designing the PB guidelines was an ambiguous process, which required “changing the very nature of budget construction process” (ED Head, 2016). Specifically, the Department of Economy and Investment (DEI), being responsible for implementation and therefore the construction of PB guidelines, was the

only department that was more aware of the output orientation of PB and the possible tensions this brings to the balance between external and internal accountability demands. In this regard, even at the initial stage of seminars organized by the Ministry of Finance regarding PB in 2013, the head of the DEI reflected that many questions remained open to departments' critical self-interpretation. For example, it was unclear how the new performance principle would form relations between administrative departments, the representative council and higher-level authorities, in terms of performance demands and previous long-term target programs. Another issue concerned the way each municipality should frame performance indicators in a turbulent environment (oil prices and the Ukrainian crisis) and whether local initiatives and demands would be supported if they were not coherent with upper-level performance priorities. Nevertheless, despite the DEI's critical reflections, under central government pressures and the limited time frame, the general strategy was to wait for the upper levels' decisions on PB formations and design formats:

We took the path of least resistance...The general logic I saw was that, anyway, we should be coherent with upper-level programs' content if we wanted to get co-financing of our activities. In this sense, the design of programs and internal content should be similar. (DEI Head, 2015)

Therefore, as data demonstrated, PB guidelines were issued only after regional and federal ones. Interestingly, while DEI managers still proposed some critical points for reflection and consultation, municipal departments were rather closed and hesitant to accept such help with PB:

When we issued the program [PB] guidelines, we e-mailed around the administration departments, offering consultations. However, nobody replied... Most departments work with their own routines and do not want to reveal these to others... We try to explain that they will be accountable for outputs, not only inputs...However, it seems that our comments are not respected. (DEI Head, 2015)

DEI reflections on PB design bring us to the second way of recognizing PB, which was dominant during budget formation in 2014. Several interviewees broadly referred to this as the "old way of thinking", when PB construction and the related focus of attention on PB accounts were still associated with previous practices. Specifically, the data illustrated the misalignment of managers' practices in "what to give an account for" and "what is demanded", with PB's introduction.

Mostly, we observed the widespread association of PB construction with funding purposes and therefore input orientation in 2014. So-called “co-financing vertical” logic was evident in the departments’ reflections on PB, meeting summaries and PB drafts. For example, as most interviewees revealed, each department started looking at the amount of resources available for their activities and how these could be extended with regional and federal funds via PB. In that sense, there was a sort of core association and mixing of PB with previous experiences of long-term target programs as “a device to obtain resources from the upper levels” (TD Head, 2015). For example, departmental meetings’ summaries reflect the dominance of input discussions, with a focus on the budget’s “confirmed and possible financial projections of revenues and expenditures”, with the formation of related performance accounts as only a supplementary priority “to be in line with”. Similar observations were evident in politicians’ discussions of the budget, where internal council protocols and open public discussions report evidence of only 5–10% of time being spent on discussing the program/performance part of the municipal budget and its further approval.

As our interviews revealed, input discussions were based on previous years’ incremental information and information obtained from regional “financial friends” about the available volume of grants. This resulted in a general strategy of copying regional PB content (including indicators) into the local budget, without actually assessing the real municipality agenda and its coherence with regional and federal agendas:

The old method of receiving money from the upper levels meant writing target programs with the outcome measured in percentages. So, in reality, we were getting money at the end of the year, just reporting whether resource-related activities were fully (100%) done and that all the money was spent. This method did not mean thinking about results orientation, as nobody cared about anything other than spending all the money and that was enough...But the problem is that now you must be responsible for your activities via quite sophisticated indicators, rather than only percentages. (DEI Head, 2015)

Similar input-orientation dominance was evident when tracing the relation between financial scandal (2013) and PB. Despite the initial rhetoric of strengthening municipal sustainability by means of PB, the documentary analysis and meetings’ summaries demonstrated that the performance part of the budget and related templates were just ignored when addressing the sustainability agenda of the municipality, e.g. no discussions on changing the nature of specific activities and related spending based on performance projections. The

illustrative quotation in that sense was a metaphor used by one of the managers, explaining his logic of seeing PB in relation to the financial crisis:

Imagine that there is a big funding train [funding coming from upper-level authorities] with its own agenda [priorities/demands]. Imagine that you have already jumped onto this train and there is a fire [financial crisis] in our compartment... For sure, you will first try to put out the fire as fast as possible... In our case, it is about strict control of the financial part. (FD Head, 2015)

Following this “fire” metaphor, all interviewees except those in the DEI department agreed on the logic of financial/input orientation in budgeting, without acknowledging other options to address the nature and possible actions related to crisis through the performance part of the budget. When asked for some justification of such strict logic and consideration of other alternatives, most of the managers reflected on that as “the particular way you do it, as it supposed to be” referring to similar previous situations and the general logic of searching for financial resources “here and now... without thinking about the payoff”.

As a result, at the end 2014, all municipal departments except the Financial Department (FD) issued so-called program documents, which resulted in around 83% of budget expenditure being framed by performance principles for 2015–2017 and an increase in the share of grants in the total revenue from 63% (2014) to 73% (2017).

Stage 2. External accountability domination and raising tensions in the ‘distractive’ nature of PB (2015)

The second stage identified within managers’ practices regarding PB construction occurred in 2015, when they started conducting related municipal activities (budget execution 2015) and new PB formation for 2016–2018. Specifically, results of interviews and observations of budget-related meetings revealed an increase in external accountability domination and the related construction of performance accounts by departments with more explicit awareness of the tensions between local/internal and external demands for performance related to outputs.

An illustrative example is found in the formation of the procurement plan and the realization of related activities in 2015. As our documentary analysis and interviewees demonstrated, this was generally referred to as the tension between so-called “public promises and plugging the local operational holes” and “upper-level global problems”. “Public promises” were supposed to give the account for and manage activities, based on the previous year’s

summary of citizens' requests, officers' analysis and political negotiations. In other words, it reflects the elected officials' position regarding specific activities to be performed and executed within the budget. According to public managers, "upper-level global problems" refer to the performance projections of the output side of the budget, set at federal and regional levels, "which are not aligned with local needs, in most cases" (ED Head, 2015). In this regard, most managers reflected that "the old way of thinking" could not predict such issues, leading to a situation where municipal departments were limited in their course of action: "We either execute local 'promises', meaning changing the budget with performance projections and losing co-funding or vice versa to marginalize local needs" (TD Head, 2015). Under the pressures of the financial scandal and 'budget hunger', the choice was self-evident: to adjust the procurement plan and activities to the performance suggested in last year's PB. One DEI departmental officer summarized this situation as follows:

You try to do something (program activities) in a limited time in order to show results (indicators) for the upper government level. Although you are not writing a report right now, you think about it during the execution of the activities. You execute them not on the 'promises' of citizens but on the 'promises' of upper-government priorities, which must be measured. So, you start to think by categories, which are supposed to focus not on what is relevant for the municipality but on what is relevant for reporting...Despite all the officers saying that all these performance indicators within programs do not matter, I argue that they really do. They distract you from looking at the municipality as a whole to seeing only vertically oriented goals, tasks and results.

This quote in some way also summarizes the common reflection of public managers on the distraction effect of the new budgeting system in favor of external demands and the separation of municipality departments into disconnected units. Nevertheless, not only managers reflected on the accountability distraction problem. During new budget preparation for 2016–2018, much criticism was leveled at budget execution for 2015 by local legislators/politicians, reflecting on their "too limited and inconsistent view on municipal priorities". Despite most managers agreeing with this criticism, they also reflected that it might also be connected with the fact that legislators also became 'hostages' of PB, since they were losing their budgeting powers. In this regard, internal and public council discussions demonstrated more time spent debating the program/performance side of the budget and budget

approval under “the misalignment of corresponding local priorities expressed by citizens and mandates delegated from upper-level authorities” (Legislative Council Protocol, 2015, p. 4).

Interestingly, while there was a common awareness of the accountability distraction problem within the municipality, the new PB process for 2016–2018 became even more intriguing. In contrast to the dominant “old way of thinking” of 2014, we rather observed several different competing ways in which public managers recognized the construction of PB in practice during 2015. Specifically, in line with the first stage, we observed critical reflections of the DEI on the importance of output and outcome orientation in the budget process. However, understandings between other departments, their related responses and politicians’ approval of the budget were somewhat more nuanced.

For example, the vague nature of interpretations was reflected in the general problem of municipal survival under external accountability, which must be dealt with via an efficiency increase in the budget process and performance improvement. As most respondents reflected, 2015 was a year of significant budget cuts from the federal and regional authorities, due to the Ukrainian crisis and the drop in oil prices, leading to adjustments in the municipal budget. In this regard, we found that, in many cases, efficiency was associated with stricter control of the financial side of the budget and a reduction in expenditure, without considering outputs as the basis of decisions. The legislative council protocols reported similar political rationalities for approving the budget, oriented to financial cuts rather than using performance information for decisions. While financial adjustment was accepted practice within the municipality, performance adjustment was a new procedure, requiring two months for confirming/negotiating with different departments. Overall, this situation led to considerable time-wasting in work on performance adjustments.

Some departments, however, also reflected their awareness of this critical point and the importance of “outcome orientation” in budget construction for understanding “how to survive”. In this regard, some managers started to critically reflect on the “old way of thinking”, as “it no longer provided any flexibility” (ED Head, 2015). Our observations and departmental meeting summaries for 2015 documented the changing nature of budget discussions in favor of both input and output juxtaposing, e.g.: “whether and how we financially benefit from performance X, which is aligned with demands of regional government but not with local demands” (TD Head, 2015); “how to operationalize the municipality’s service provision, taking into account local specifics and time frame, which are not reflected in standardised performance accounts of PB” (SCT Head, 2015).

Nevertheless, at the same time, despite such growing critical reflections and input-output orientation, we still observed a sort of tension/conflict between the output focus of attention promoted by the DEI and the input focus exercised by the FD. In that sense, many respondents reflected that there was a sort of “finding the balance” between the two competing focuses of attention of the DEI and FD. The illustrative example in that sense comes from the so-called “confirmation paradox”: “In order to confirm financing from the region, we need programs to be confirmed by our FD, which asks for co-financing confirmation first” (DEI Head, 2015).

Similar critical attitudes and tension were evident in the changing role of PB in a financial scandal, where public managers started to question FD input control mechanisms as the only option to address municipal sustainability. An illustrative quotation in this regard comes from the SCT department:

We clearly have a problem of output performance demands from them [upper-level authorities]: got funding – deliver specific results... But if there is some austerity, such as this one [financial scandal], why we always keep thinking about financial part's cut, forgetting to keep the sight of what we will lose... Why not start vice versa and start by looking at the output projections and what we miss if we do not deliver on their [upper-level authorities] global problems?

However, despite such a critical attitude being evident, there were no changes in the FD approach to dealing with the consequences of the financial scandal. As the documentary analysis demonstrated, the approach to forming the necessary budget cuts for gradually covering municipal debt was still based only on inputs.

Therefore, while this stage documented more explicit awareness of tensions between local/internal and external demands for performance, the related construction of PB accounts was still vague and differed from one department to another. As revealed, it lay somewhere between input and output orientation and leading to distractive effects and external accountability domination. When it comes to explanations for such changing attitudes and the tension observed, several elements appeared from interpreting the data materials. Firstly, our respondents commonly reflected on what they called “boiling point” or saturation point, i.e. the situation when their current activities “stopped making sense” and “contradictions became so evident in your daily work that you could not ignore them and had to do something”. Secondly, it was also evident that different departments arrived at this saturation point at different times, depending on the level of sophistication to daily routines brought by tight targets which are set in program documents. For example, as documentary analysis and meetings’ summaries show,

the TD department started to challenge some taken-for-granted input orientation earlier than other departments. As the TD head commented, the reason was in more “deep dive into [experience and learning of] many targets and indicators” to be given to the upper level. This also explains the tension/conflict between the output focus of attention promoted by the DEI and the input focus exercised by the FD. As revealed for 2015, the FD was the only department which did not exercise PB, while having strong power in budget decision-making.

Stage 3. Balancing internal and external accountability demands through ‘creative’ PB negotiations (2016–2017)

The last stage we identified within managers’ practices was from 2016 and 2017. Specifically, the general finding was that public managers were searching for ways to align demands through creative negotiations in budget formation for 2017–2019 and 2018–2020. Several practices were revealed in this regard.

Firstly, based on previous years’ experience, the municipal officers became more critical toward general information use, demanding more constant updating of information regarding current prices and changing regulations in the field:

In order to provide services within your responsibility without delay and not to rewrite the programs each month, you must keep one step ahead. In this sense, when there are sudden cuts in co-funding from upper-levels or prices rise, you are ready with corrections or use of budget ‘stashes’ [hidden resources]. (TD Head, 2017)

Such ‘stashes’ were formed in program documents through both budgetary and performance slacks, which became an essential mechanism for functioning in a turbulent environment. Nevertheless, these slacks were not always helpful or big enough to deliver “local promises” or “plug the local operational holes”, which are not coherent with upper-level priorities set into PB. This was especially problematic under the strong financial control by financial institutions such as the Audit Chamber. However, while local finances were highly controlled externally, a more manageable situation was observed for the performance side of the budget, where a consolidated picture of all municipal departments was not demanded by upper-level authorities:

You see, the good thing for us is that financial control institutions are interested in the accuracy of the financial part and the activities set by our departments, while not looking at programs’ outputs. When it comes to the programs, the vertical accountability logic supposes accuracy in input (financial part) and output for the

program, while not looking so much at activities or a common picture of all programs. Output information for each program is rather separated, and I am not sure that it is actually consolidated into one document, even at the federal level. In practice, it means that we can manipulate the activities of one program to cover several results of other programs. (Head of DEI, 2016)

In this regard, we observed another creative practice of managing internal and external accountability demands via PB. As our interviewees reflected, departments were increasingly practicing the construction of so-called local ‘loopholes’ for stashes in PB during 2016–2017. Specifically, performance and budgetary slacks were extended by securing the fulfillment of indicators via other departments. This became possible when departments started to cooperate through the creation of a sort of informal “programs’ spin-off results” discussion, where officers shared their programs’ content with each other, including de jure and de facto inputs and results:

Under common problems of local ‘promises’ delivery, you become more open to other departments that also struggle with that problem. In my case, everything started during lunch conversations about program headaches with my colleague from TD and discovering that we actually had some possibilities to help each other with the set-off of program indicators. As I know, all departments now practice this. I am ready to share my program spin-off results if someone shares with me. (Head of ED, 2017)

Documentary analysis also reflected a slightly different politicians’ attitude toward necessary compromises and negotiations to link external and internal accountability demands within PB. As internal council meeting protocols demonstrated during 2016–2017, the financial part of the budget still dominated discussions, but, at the same time, the programs/performance part became the center of attention for discussing “local promises” misalignments with “upper-level global problems”. As our informants reflected, those misalignments were further informally reported to departments with “...an easy-to-say but hard-to-do task: make it [performance numbers] work for us [local promises]!” (TD Head, 2017).

Therefore, a sort of informal information-sharing mechanism was created between departments, where they could show the deliveries (outputs) with the use of their own indicator fulfillment and spin-offs of others. For example, after sharing information between SCT and ED, the activities of both departments’ programs provided the opportunity for extra indicator fulfillment via set-offs (eliminations), without spending money on them. Another example

showed that departments started to exchange internal e-mails with requests to “share program activities for indicators” and to organize separate meetings related to the construction of performance accounts between departments:

We all face a common problem – how to deliver both local and upper-level ‘promises’ with limited available resources but a wide range of indicators to be accountable for. We have started to trust each other and share all we have in order to maintain balance and stabilize the non-perfect system with which we have to work. If you have some important critical activities to do outside your program priorities, you ask other departments for help in finding space in their own programs. But you must realize that they expect the same from your department, if they need help next time. (FD Head, 2017)

Such creative manipulations with indicators’ set-offs in PB led to additional funds being managed on real municipal demands, without actually damaging the necessary external performance demands and, at the same time, staying within the financial limits. As reflected by several interviewees, such practices led to a rather “ingrained performance focus”, in line with the financial side of the budget, which also requires creative skills from public managers:

You see...It seems that now I am personally more involved in the budget process. I work with complex situations and find solutions which are important for all, not only for the political decisions of local legislators or upper-level priorities. And here you realize that each department is doing important things for all, not only for itself. But, at the same time, it requires you to gain new skills to manage all these things. (ED Head, 2017)

This quotation also indicates a sort of general attitude among managers toward the importance of the performance part of budgeting, during which they have felt more responsibility for the budget – being more like managers than executives. As most respondents reflected, “good executive skills” are now associated with the ability to attach local ‘promises’ to vertically integrated external performance demands through established informal mechanisms.

When it comes to explanations for the formation of such creative responses and its progression compared to previous years, our respondents commonly reflected on the importance of the previously mentioned saturation point (or boiling point) becoming a “trigger for talks and joint brainstorming”. As several respondents revealed, the discussions for

actions/responses began not in official meetings but, rather, informally, e.g. at lunch and coffee in the canteen area:

Yes, we are all busy with own staff during the day, but we still talk to each other... What will you usually discuss during lunch for example... not how good our work is, as you guess... we complain to each other about how hard it is... the hot topic was and is targets and indicators for departments... and how horrible they are... (TD Head, 2017)

In a similar way, several public managers reflected on the importance of gaining experience on “the very nature of the new output-oriented demands” of the upper-level authorities, along with “learning the craft of outputs” in the budget. As most respondents reflected, this cooperation and widespread recognition of a common strategy for dealing with competing demands only began when all departments moved to the PB principle, including the FD. As revealed, after the FD started to experience PB, the awareness of both the input and output nature of PB became balanced between departments. This also led to more trust and mutual understanding between departments during service provision in a limited time frame. For example, the constraints set by PB on time-specific activities (e.g. the reconstruction of schools or roads) were acknowledged, and documentation for activities could be signed before confirmation of co-financing from upper levels of government. In this sense, informal relations provided the ability to compensate for some internal ‘cracks’ in the PB system and accountability distraction, where both the input and output focus of attention was acknowledged and exercised by all departments.

Discussion

As the current literature suggests, despite the consensual endorsement of NPM accounting tools, such as PB, to boost public sector performance and accountability, the theoretical and practical conundrum of placing PB into public sector realities with potentially competing accountability demands remains unsolved (Bouckaert & Halligan, 2007; Cuganesan, 2017; Van Dooren et al., 2015). Specifically, previous studies extensively demonstrated the distraction effect of new management accounting tools in general and PB in particular within the public sector as external accountability becomes dominant over its internal counterpart (Bovens, 2010; Bovens et al., 2014; Christensen & Lægheid, 2015; Dubnick, 2011; Olsen, 2014). At the same time, only a few studies so far have addressed the related micro-practice

explanations for distraction reasons and the understanding of the subjective nature of managerial responses over time (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010).

Driven by this conundrum and the related gap, this paper explored the budgeting practices of public managers during the introduction of PB. We bring detailed narrative on: *how the implementation of performance budgeting unfolds public managers' attention and responses to competing accountability demands over time*. Theoretically, our narrative was guided by ideas of institutional logics (ter Bogt & van Helden, 2011; Thornton & Ocasio, 2008; Thornton et al., 2012), which provided the ability to trace PB construction as a subjectively held process, based on public managers' divergent beliefs. Empirically, we offered a detailed illustration of PB construction in one Russian municipality during 2013–2017. In the presented municipality, public managers handled the external demands of the upper-level authorities from one side and the internal demands of local government, represented by politicians and citizens in general, from another.

Our research findings demonstrate the dynamic properties of PB construction under external and internal accountability demands in the selected municipality. Specifically, several alterations were observed in relation to the formation of public managers' attention toward external and internal accountability demands and the related responses in the construction of performance accounts in budgeting during 2013–2017. Based on our interpretations from the literature and the analytical concept of institutional logics, we summarized those alterations in three distinct phases (see Table 1).

Table 1. Summary of attention on budget accounts, accountability demands, and related institutional logics formed by public managers within the municipality

[insert Table 1 here]

As the literature suggests, the possible tension between future performance accounts demanded externally and internally will be recognized by public managers (Bovens, 2010; Christensen & Lægreid, 2015; Van Dooren et al., 2015) and bring possible strategic responses (Bogt et al., 2015; Mimba et al., 2013; Tillema et al., 2010). Our observations related to 2013–2014 (see Stage 1 in Table 1) bring interesting claims to this discussion, in terms of the role of PB and general NPM accounting tools in balancing external and internal accountability

demands. Specifically, the first stage showed that, while all departments were acknowledging external and internal accountability demands, only a few really focused on their possible conflict with the introduction of PB. As findings revealed, input orientation was dominant among public managers within the PB process, alongside similar attitudes among politicians, who ignored the performance side of the budget as such. This, in turn, resulted in the misalignment between these managers' attention on what was demanded externally with the introduction of PB and what they were giving an account for.

Therefore, in the case of the selected municipality, initial findings revealed that public managers' related responses are not always strategic, as explained by previous studies. This might be explained by capturing the institutional logics of public managers. As suggested by the literature (Anessi-Pessina et al., 2016), PB would bring new NPM logic into the budget construction process. However, in line with previous studies, our findings show this is not always the case, since OPA logic dominated in their construction of PB (Grossi et al., 2018; ter Bogt & van Helden, 2011). This was regarded as the "old way of thinking", where attention on PB was focused on the input part to obtain finance from upper levels of government but not necessary for framing real municipal activities within PB. In that sense, Stage 1's claims extend the previous literature on organizations' recognition of institutional logics (Ferry & Eckersley, 2018; ter Bogt & van Helden, 2011). As illustrated, the recognition can differ among different public managers and does not always appear as such, i.e. "seeking to understand the nature of any conflict with the incumbent logic" (p. 9). Instead, we observed various levels of awareness of and embeddedness in institutional logics embraced by public managers, depending on the particular situation at play. During stage 1, this brought compliance with PB but underestimation of the challenges it would bring in terms of the performance part for the municipality.

As Stage 2 illustrates (see Table 1), the presented explanations had important implications for the further construction of PB under external and internal accountability demands. The findings show external accountability domination, with PB becoming a sort of distraction mechanism, reinforcing this domination, in line with previous studies of cause-effect relations (Bovens, 2010; Bovens et al., 2014; Christensen & Lægreid, 2015; Dubnick, 2011; Olsen, 2014). However, interestingly, although public managers became more aware of tensions/misalignment between external and internal accountability demands, the construction of related future accounts remained somewhere between OPA and NPM logics, corresponding to an input and output focus of attention accordingly. Such observations are in line with

previous claims that the recognition and negotiation of several institutional logics in organizations is a vague and non-linear process (Ferry & Eckersley, 2018; Grossi et al., 2018). As our paper claims in this regard, the advocates of distinct OPA and NPM logics did not manage to interact with each other properly during 2015, remaining embedded in competing logics advocated by FD (OPA logic) and DEI (NPM logic). Therefore, this reinforces a similar compliance response with rather vague future account-giving within PB, with input-orientation still ultimately dominant. At the same time, some critical attitudes and attempts to find compromises by public managers were evident at this stage. This situation was explained by our respondents as a saturation point, which stresses the adherence to particular logics by public managers and the related contradictions in practice. Therefore, in line with Modell (2015), we observed that, despite distraction effects, some elements of change were still appearing because the contradiction between logics became evident and accepted by actors.

Finally, Stage 3 revealed a somewhat surprising movement of PB's distraction effect toward creative manipulations during 2016–2017. Specifically, in line with previous studies, public managers were observed to balance internal and external accountability demands via more strategic actions in the PB process (Bogt et al., 2015; Mimba et al., 2013; Tillema et al., 2010). These strategic actions were evident in incorporating the blend of demands into everyday practices (Ferry & Eckersley, 2018), through creative manipulations of the performance side of the budget (e.g. budgetary and performance slacks and “loopholes”) and also de-coupling of PB accounts for external and internal demands. As empirical findings illustrate, these manipulations were formed through the creation of an informal information-sharing mechanism between departments. While such observations might correlate with the decoupling and manipulation responses of organizations (Bogt et al., 2015; Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010), we claim that such responses were not possible without public managers being commonly embedded in NPM logic, encapsulated by PB. As revealed, after FD started to exercise PB along with other departments, there was a sort of balance relations archived within OPA and NPM logics. Interestingly, this combination differing somewhat from traditionally described hybridization or shifts in logics (Ferry & Eckersley, 2018; Grossi et al., 2018; ter Bogt & van Helden, 2011). In some way, final observations show that managers have formed their own understanding of the importance of an output focus of attention in PB, which is unrelated to internal allocation of resources based on performance. Instead, the PB output focus of attention was transformed into their own managerial logic of manipulation of performance accounts, compensating accountability

distraction (Bleyen et al., 2017; Christensen & Lægreid, 2015). In other words, through presented manipulations within PB, managers were able to link external and internal accountability demands. As suggested by the literature (Conrath-Hargreaves & Wüstemann, 2019; Ferry & Eckersley, 2018; Gebreiter & Hidayah, 2019), the presented change in the existing logics in place and the related managerial responses might be explained by an individual set of factors. Specifically, the presented case revealed such individual factors as informal relationships, common awareness of and experience/learning in NPM logic.

Conclusion

Through empirical illustration of budgeting construction by public managers during the introduction of PB in one Russian municipality during 2013-2017, this paper reports a qualitative study of practitioners' production and use of new management accounting tools under competing accountability demands over time (Bouckaert & Halligan, 2007; Cuganesan, 2017; Van Dooren et al., 2015). Specifically, the study explores how the implementation of performance budgeting unfolds public managers' attention and responses to competing accountability demands over time. Drawing broadly on institutional logics (Thornton et al., 2012), the paper discusses budget formation as a social process of "giving of accounts for future actions" (Olson et al., 2001) constituted by public managers' existing social beliefs and values within the municipality.

The overall conclusion is that dynamic properties were involved in public managers' PB construction under external and internal accountability demands. Initially, PB was observed to be a 'distraction' mechanism, which, on one hand, strengthened external accountability between municipal and upper-level authorities, while, on the other, distracting managers from internal municipal demands. This conclusion corresponds to the previous body of research, suggesting the paralyzing effects of such mechanisms as PB and their negative consequences for the public sector (amongst others, e.g. Dubnick, 2011; Olsen, 2014; Bovens et al., 2014; Christensen & Lægreid, 2015). However, the paper makes claims for a more nuanced understanding of PB formation over time, especially in the more nuanced understanding of dynamics related to subjective managerial responses (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010). Specifically, it was revealed that PB construction over time has led to a sort of 'creative distraction',⁴ since it produced pro-active responses to competing accountability demands and

⁴ While being inspired by Schumpeter's paradoxical term 'creative destruction', we prefer to use the term 'creative distraction' only as an illustrative metaphor to display PB as being both a mechanism for accountability distraction in Stage 1 and a mechanism for rebalancing competing external and internal accountability demands over time,

creative effects over time. In particular, PB also led to elements of creative PB negotiations between public managers when they started to cooperate with redirecting the irrelevant constraints of performance information in budgeting into necessary manipulations for municipal survival. The demonstrated 'creative distraction' of PB in changing external accountability domination ('distraction'), to balance accountability demands through manipulations ('creative'), is explained by the progression of public managers' institutional logics over time, supplemented by a set of individual factors.

The central claim in this regard is that managers' existing institutional logics shape PB's capacity to balance competing accountability demands. As revealed, this capacity can be limited, since there could be misalignment between underlying logics, which forms managers' attention on "what to give an account for" during budget formation (input orientation driven by OPA logic) and "what is demanded" with the introduction of PB (output orientation driven by NPM logic). Within this claim, the strategic responses described in the previous literature can also take place (Bogt et al., 2015; Mimba et al., 2013; Tillema et al., 2010) but only in the case of all public managers being equally involved in PB, with their institutional logics aligned, therefore forming similar attention to accountability demands and the corresponding construction of PB accounts. As our case reveals, institutional logics' alignment was supplemented by a set of individual factors within the presented case, namely: learning NPM logic, strengthened informal relationships and a common saturation point reflected by managers.

By these means, the paper contributes to the literature in several ways. Firstly, it responds to current public-administration literature calls to understand management accounting tools' formation under several competing accountability demands, as well as the circumstances and mechanisms in which these tools can have an overall positive effect within the linking of performance and accountability (Bouckaert & Halligan, 2007; Christensen & Lægreid, 2015; Cuganesan, 2017; Van Dooren et al., 2015). Specifically, we revealed the 'creative distraction' nature of PB formation under several conflicting accountability demands, explaining it from the institutional logics perspective. The demonstrated dynamics of both the distractive and creative effects of PB also reveal the social impact of the current research: namely, better understanding of the unintended consequences PB is able to produce. Secondly, the paper

i.e. in Stages 2 and 3. At the same time, we acknowledge that each metaphor has its limits. In our case, as noted by one of the reviewers, PB's illustration as a 'creative distraction' is limited to the three stages described and becomes an oxymoron, indicating two approaches (distraction and creativity) that cannot coexist at the same time.

responds to the call for a more nuanced understanding of subjective managerial responses to and accommodation of the diverging interests of different stakeholders via PB (Brignall & Modell, 2000; Mimba et al., 2013; Tillema et al., 2010). Specifically, by taking a longitudinal perspective, we show the more nuanced interplay of managerial responses over time, which are guided by the specific budgeting logics in place. Thirdly, by framing the theoretical discussion of PB within institutional logics, the paper also contributes to an understanding of institutional logics' progression within organizations as a vague and non-linear process (Ferry & Eckersley, 2018). Specifically, we revealed not only the changing logics in place over time but also the formation of a more hybrid logic over time (Grossi et al., 2018) and set of individual factors shaping such formation (Conrath-Hargreaves & Wüstemann, 2019; Ferry & Eckersley, 2018; Gebreiter & Hidayah, 2019). Finally, by showing the Russian case of managing external and internal accountability demands with the introduction of PB, the paper contributes to understanding the local responses of public managers who operate under a centralized budgets tradition, with the central state in the dominant role of allocating resources in a top-down manner (van Helden & Uddin, 2016). Specifically, we illustrated how public managers can cope with linking external and internal accountability demands in conditions of low institutional capacity (Mimba et al., 2013).

The paper has several limitations, opening avenues for further research. Firstly, it is limited by its specific focus on public managers, raising the issue of more comprehensive understanding of the budgeting process with the various actors involved (e.g. politicians, citizens). While deriving theory-building opportunities from the presented Russian case (Eisenhardt & Graebner, 2007), the paper encourages scholars to discover PB formation under several accountability demands with a deeper investigation of a broader group of those involved in the accountability process, such as politicians and upper-level authorities. Finally, while the paper traces changes in public managers' institutional logics and their related budget-construction practices, the underlying reasons for such changes could be covered in more detail, taking into account both the micro and macro determinants of PB implementation. In this regard, future studies may benefit from employing other theoretical lenses such as institutional work (Modell et al., 2017) and a morphogenetic approach (Ahmed & Uddin, 2018; Archer, 1995), which could potentially bring more interesting insights into public managers' reactions over time.

References

- Ahmed, S. and Uddin, S. (2018), "Toward a political economy of corporate governance change and stability in family business groups: A morphogenetic approach", *Accounting, Auditing & Accountability Journal*, Vol. 31 No. 8, pp. 2192-2217.
- Aleksandrov, E. and Timoshenko, K. (2018), "Translating participatory budgeting in Russia: the roles of inscriptions and inscriptors", *Journal of Accounting in Emerging Economies*, Vol. 8 No. 3, pp. 302-326.
- Anessi-Pessina, E., Barbera, C., Sicilia, M. and Steccolini, I. (2016), "Public sector budgeting: a European review of accounting and public management journals", *Accounting, Auditing & Accountability Journal*, Vol. 29 No. 3, pp. 491-519.
- Archer, M. S. (1995), *Realist social theory: The morphogenetic approach*, Cambridge University Press.
- Arellano-Gault, D. and Gil-García, J. R. (2004), "Public management policy and accountability in Latin America: performance-oriented budgeting in Colombia, Mexico and Venezuela", *International Public Management Journal*, Vol. 7 No. 1, pp. 49-71.
- Bleyen, P., Klimovský, D., Bouckaert, G. and Reichard, C. (2017), "Linking budgeting to results? Evidence about performance budgets in European municipalities based on a comparative analytical model", *Public Management Review*, Vol. 19 No. 7, pp. 932-953.
- Bogt, H. J., Helden, G. J. and Kolk, B. (2015), "Challenging the NPM Ideas About Performance Management: Selectivity and Differentiation in Outcome-Oriented Performance Budgeting", *Financial Accountability & Management*, Vol. 31 No. 3, pp. 287-315.
- Bouckaert, G. and Halligan, J. (2007), *Managing performance: International comparisons*, Routledge.
- Bovens, M. (2007), "Analysing and assessing accountability: A conceptual framework 1", *European law journal*, Vol. 13 No. 4, pp. 447-468.
- Bovens, M. (2010), "Two Concepts of Accountability: Accountability as a Virtue and as a Mechanism", *West European Politics*, Vol. 33 No. 5, pp. 946-967.
- Bovens, M., Goodin, R. E. and Schillemans, T. (2014), *The Oxford handbook public accountability*, Oxford University Press.
- Brignall, S. and Modell, S. (2000), "An institutional perspective on performance measurement and management in the 'new public sector'", *Management accounting research*, Vol. 11 No. 3, pp. 281-306.
- Budding, T. and Grossi, G. (2015), "Public sector budgeting", in Budding, T., Grossi, G. and Tagesson, T. (Eds.), *Public sector accounting*. Taylor & Francis, pp. 122-144.
- Byrkjeflot, H., Christensen, T. and Læg Reid, P. (2014), "The many faces of accountability: Comparing reforms in welfare, hospitals and migration", *Scandinavian Political Studies*, Vol. 37 No. 2, pp. 171-195.
- Christensen, T. and Læg Reid, P. (2015), "Performance and accountability—A theoretical discussion and an empirical assessment", *Public Organization Review*, Vol. 15 No. 2, pp. 207-225.
- Conrath-Hargreaves, A. and Wüstemann, S. (2019), "Multiple institutional logics and their impact on accounting in higher education", *Accounting, Auditing & Accountability Journal*.
- Cuganesan, S. (2017), "The design of performance budgeting processes and managerial accountability relationships", *Public Management Review*, Vol. 19 No. 7, pp. 954-971.
- Czarniawska-Joerges, B. and Jacobsson, B. (1989), "Budget in a cold climate", *Accounting, Organizations and Society*, Vol. 14 No. 1-2, pp. 29-39.

- Damayanthi, S. and Gooneratne, T. (2017), "Institutional logics perspective in management control research: A review of extant literature and directions for future research", *Journal of Accounting & Organizational Change*, Vol. 13 No. 4, pp. 520-547.
- Dubnick, M. (2005), "Accountability and the promise of performance: In search of the mechanisms", *Public Performance & Management Review*, Vol. 28 No. 3, pp. 376-417.
- Dubnick, M. (2011), "Move over Daniel: we need some "accountability space"", *Administration & Society*, Vol. 43 No. 6, pp. 704-716.
- Eisenhardt, K. M. and Graebner, M. E. (2007), "Theory building from cases: Opportunities and challenges", *The Academy of Management Journal*, Vol. 50 No. 1, pp. 25-32.
- Ezzamel, M., Robson, K. and Stapleton, P. (2012), "The logics of budgeting: Theorization and practice variation in the educational field", *Accounting, organizations and society*, Vol. 37 No. 5, pp. 281-303.
- Ferry, L. and Eckersley, P. (2018), "Hybridizing the institutional logics of performance improvement and budgetary stewardship in English and Welsh local government", *Public Policy and Administration*, pp. 0952076718781433.
- Gebreiter, F. and Hidayah, N. N. (2019), "Individual responses to competing accountability pressures in hybrid organisations", *Accounting, Auditing & Accountability Journal*.
- Grossi, G., Mauro, S. G. and Vakkuri, J. (2018), "Converging and diverging pressures in PBB development: the experiences of Finland and Sweden", *Public Management Review*, pp. 1-22.
- Khodachek, I. and Timoshenko, K. (2017), "Russian Central Government Budgeting and Public Sector Reform Discourses: Paradigms, Hybrids, and a "Third Way" ", *International Journal of Public Administration*.
- Klimanov, V. and Mikhailova, A. (2011), "The formation of budget strategy on regional and municipal levels", *Finance Journal*, Vol. 2, pp. 9-14
- Kraan, D.-J., Bergvall, D., Hawkesworth, I., Kostyleva, V. and Witt, M. (2008), "Budgeting in Russia", *OECD Journal on Budgeting*, Vol. 8 No. 2, pp. 1-58.
- Lapsley, I. (2009), "New public management: The cruellest invention of the human spirit? 1", *Abacus*, Vol. 45 No. 1, pp. 1-21.
- Lounsbury, M. (2008), "Institutional rationality and practice variation: New directions in the institutional analysis of practice", *Accounting, organizations and society*, Vol. 33 No. 4-5, pp. 349-361.
- Mimba, N. P. S., van Helden, G. J. and Tillema, S. (2013), "The design and use of performance information in Indonesian local governments under diverging stakeholder pressures", *Public Administration and Development*, Vol. 33 No. 1, pp. 15-28.
- Modell, S. (2015), "Making institutional accounting research critical: dead end or new beginning?", *Accounting, Auditing & Accountability Journal*.
- Modell, S., Vinnari, E. and Lukka, K. (2017), "On the virtues and vices of combining theories: The case of institutional and actor-network theories in accounting research", *Accounting, Organizations and Society*, Vol. 60, pp. 62-78.
- Moynihan, D. P. (2005), "What do we talk about when we talk about performance? Dialogue theory and performance budgeting", *Journal of Public Administration Research and Theory*, Vol. 16 No. 2, pp. 151-168.
- OECD. (2008), "Performance Budgeting: a Users' Guide", *Paris*, pp. 1-8.
- Olsen, J. P. (2014), "Accountability and ambiguity", *The Oxford handbook of public accountability*, pp. 106-126.
- Olson, O., Humphrey, C. and Guthrie, J. (2001), "Caught in an evaluatory trap: a dilemma for public services under NPFM", *European Accounting Review*, Vol. 10 No. 3, pp. 505-522.

- Pache, A.-C. and Santos, F. (2013), "Inside the hybrid organization: Selective coupling as a response to competing institutional logics", *Academy of management journal*, Vol. 56 No. 4, pp. 972-1001.
- Roberts, J. and Scapens, R. (1985), "Accounting systems and systems of accountability— understanding accounting practices in their organisational contexts", *Accounting, organizations and society*, Vol. 10 No. 4, pp. 443-456.
- Robinson, M. (2007), *Performance budgeting: linking funding and results*, Springer.
- Rubin, I. S. (2019), *The politics of public budgeting: Getting and spending, borrowing and balancing*, CQ Press.
- Scapens, R. W. (2004), "Doing case study research", in Humphrey, C. and Lee, B. (Eds.), *The real life guide to accounting research: A behind-the-scenes view of using qualitative research methods*. Elsevier, pp. 257-279.
- Schick, A. (2014), "The metamorphoses of performance budgeting", *OECD Journal on Budgeting*, Vol. 13 No. 2, pp. 49-79.
- Schillemans, T. and Bovens, M. (2011), "The Challenge of Multiple Accountability", *Accountable governance: Problems and promises*.
- Sinclair, A. (1995), "The chameleon of accountability: forms and discourses", *Accounting, organizations and Society*, Vol. 20 No. 2-3, pp. 219-237.
- Sulu-Gambari, W., Stafford, A. and Stapleton, P. (2018), "Public accountability reform in a Nigerian ministry", *Qualitative Research in Accounting & Management*.
- ter Bogt, H. J. and van Helden, G. J. (2011), "The role of consultant-researchers in the design and implementation process of a programme budget in a local government organization", *Management Accounting Research*, Vol. 22 No. 1, pp. 56-64.
- Thornton, P. H. and Ocasio, W. (2008), "Institutional logics", *The Sage handbook of organizational institutionalism*, Vol. 840, pp. 99-128.
- Thornton, P. H., Ocasio, W. and Lounsbury, M. (2012), *The institutional logics perspective: A new approach to culture, structure, and process*, Oxford University Press on Demand.
- Tillema, S., Mimba, N. P. S. and Van Helden, G. J. (2010), "Understanding the changing role of public sector performance measurement in less developed countries", *Public administration and development*, Vol. 30 No. 3, pp. 203-214.
- Van Dooren, W., Bouckaert, G. and Halligan, J. (2015), *Performance management in the public sector*, Routledge.
- van Helden, J. and Uddin, S. (2016), "Public sector management accounting in emerging economies: A literature review", *Critical Perspectives on Accounting*, Vol. 41, pp. 34-62.
- Wällstedt, N. and Almqvist, R. (2017), "Budgeting and the construction of entities: struggles to negotiate change in Swedish municipalities", *Public Management Review*, Vol. 19 No. 7, pp. 1022-1045.
- Wildavsky, A. B. (1964), *Politics of the budgetary process*, Taylor & Francis.
- World Bank report, A. (2014), "Empowering Communities and Building Trust in Russia through the Local Initiatives Support Program", <http://www.worldbank.org/en/results/2014/04/15/empowering-communities-and-building-trust-in-russia>.
- Zherebtsov, M. (2014), "Public Administration Reform and Building of the 'Vertical of Power' in Russia: Exploring Incommensurability", PhD, Carleton University Ottawa, Ontario, Canada.

Appendix 1. Administration departments under investigation in municipality

FD	Financial Department
DEI	Department of Economy and Investment
ED	Education Department
SCT	Department of Sport, Culture and Tourism
TD	Transport Department

Table 1. Summary of attention on budget accounts, accountability demands, institutional logics formed by public managers and related responses within the municipality

	Stage 1. (2013–2014)	Stage 2. (2015)	Stage 3. (2016–2017)
Attention on “what is demanded”	External and internal demands, but not their misalignment	External and internal demands are misaligned where external demands dominate the internal	External and internal demands are misaligned but could be balanced
Attention on “what future accounts to give for”	FD, ED, TD, SCT: input accounts DEI: output accounts	FD: input accounts ED, TD, SCT: inputs <u>vs.</u> outputs DEI: output accounts	FD, ED, TD, SCT, DEI: input accounts <u>with</u> outputs’ manipulation
Institutional logics in budget construction	OPA: FD, ED, TD, SCT NPM: DEI	OPA: FD OPA <u>vs.</u> NPM: ED, TD, SCT NPM: DEI	OPA <u>and</u> NPM: FD, ED, TD, SCT, DEI
Managerial responses	Compliance with PB, but symbolic role attached to performance demands	Compliance with PB and external demands’ dominance, but searching for compromises	De-coupling and creative manipulation with performance accounts

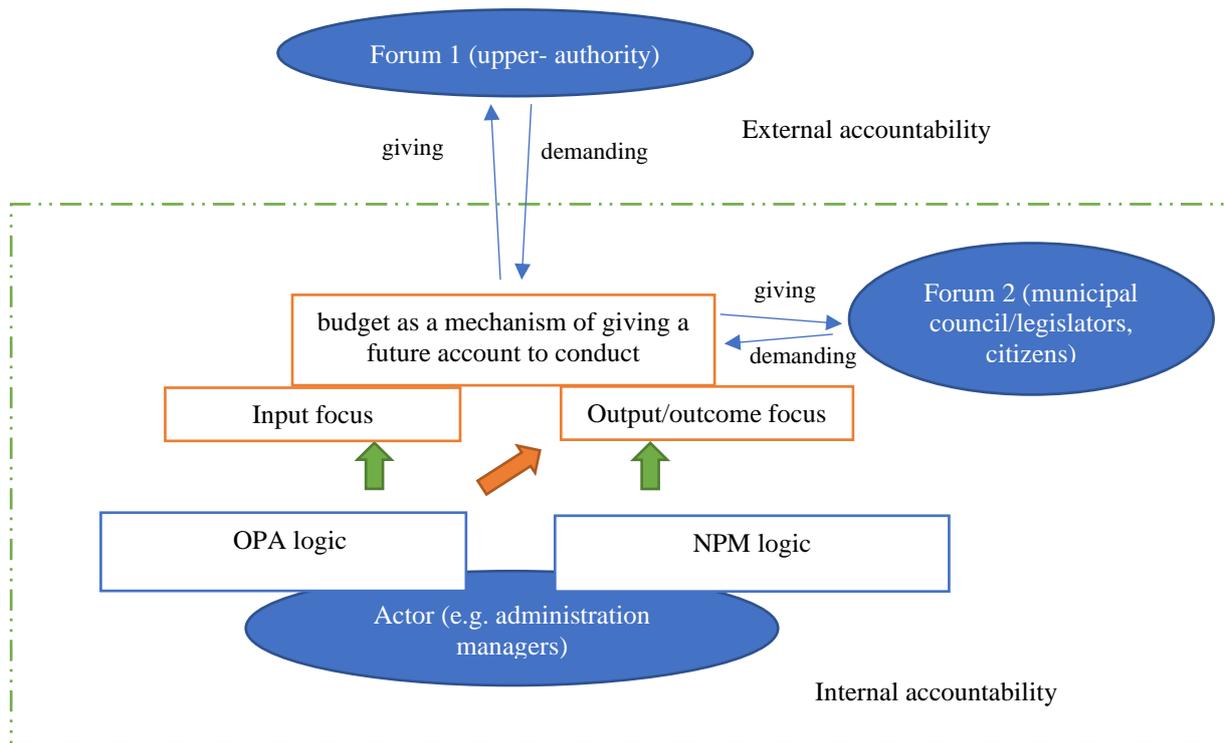


Figure 1. Institutional logics perspective on PB construction under distinctive accountability demands