

# Organizational Routines for Understanding Managerial Innovations in Local Governments

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## Abstract

The study focuses on ostensive and performative aspects of an organizational routine, i.e. the process of formulation of the Executive Management Plan (EMP) in the context of local governments, with the aim to offer an understanding of why failures occur during the introduction of managerial innovations.

The research studies the organizational routine and the implications of managerial innovations that have affected it, adopting the theoretical approach of organizational routines defined by Pentland and Feldman (2005). It has been conducted an explanatory case study in the context of Italian local governments following a longitudinal approach.

The analysis of the gap between the ostensive and the performative aspect of routine allows us to identify some critical issues of managerial innovations. That could help understand the failure or the lack of implementation of some innovative management practices. The work offers an interpretation of an organizational routine dynamics, which can support practitioners to identify critical issues that can only emerge if the actors of organizational routine are encouraged to observe, deriving some relevant implications for managerial action. The paper contributes to enrich the interpretation of the theoretical approach of routine, less investigated in the context of local governments.

**Keywords:** Organizational routines, public organizations, managerial innovations, ostensive and performative aspects.

## 1. Introduction

A relevant issue in the public organizations context is the critical adaptation to managerial innovations (Kearney Richard C, Feldman Barry M, Scavo Carmine P F. 2000; Fernandez, S. and Rainey, H. G. 2006; Pessina & Steccolini, 2007; Damanpour F., Schneider M., 2009; Richard M. Walker Fariborz Damanpour Carlos A. Devece 2011). In order to capture the problematic features that can affect the implementation of the logic and the technical aspects of managerial tools, slowing paths of innovation, the observation of routines in the public context is useful try to highlighting these criticalities. Several procedures in public organizations are defined as repetitive actions, but they are not static and unchangeable processes, they can remain stable but can change according to environmental modifications.

The aim of the present research is to understand, through the study of ostensive and performative aspects of an organizational routine, as the formulation process of EMP (Executive Management Plan) in the context of Italian local authorities, and the gap between these aspects, why

failures occur during the introduction of managerial innovations in this context. Then the study, starting from the theoretical approach of organizational routines (Nelson and Winter, 1982; Teece and Pisano, 1994; Cohen et al., 1996; Pentland and Feldman, 2005), particularly developed in the business studies, extends this perspective to the context of local governments, less investigated in this field (Moynihan Donald P. and Lavertu S., 2012, Xuanghiu Liu, Wouter V. Dooren, 2013; Hui Loi, 2013).

In the programming process of Italian Local governments, the Executive Management Plan (EMP) plays an essential role as it represents the means by which organization achieves the full formalization of the organizational assets and the allocation of resources to transfer responsibilities and objectives to managers. The document has a twofold essential valence: the EMP is the mean to manage with responsibility and the tool to activate political negotiations. On the one hand, it creates a rational allocation of resources in relation to a process of identification of responsibilities and the definition of management objectives. On the other hand, it triggers a complex negotiating process in which the political actors coordinate with technical parties in the definition of operational objectives and in choosing the best combination between available resources and achievable objectives. The responsibility for results and the possible gap between objectives and results is the stimulus that induces public managers to researching for the most convenient technical and organizational solutions. Managerial control implies and supports a management model, based on coordinated system of information, decisions and transactions whose operation must be assessed in relation to its ability to produce useful results for the addressees of administration. Organizational structures and operating procedures are continuously modulated in relation to the objectives and the specific conditions in which the activity takes place. Public action, while represented by rigid rules and procedures and codified in its technical and static conditions, needs the synergy of those who should act according to criteria of efficient use of resources and timely achievement of the goals set (Borgonovi et al. 2009).

The empirical research, through an explanatory case study, tries to examine the development of this routine, such as EPM formulation process, affected by the recent introduction of innovative managerial practices, to understand how any gap that occurs between the ostensive and performative aspects and how the comprehension of the reasons behind this divergence may constitute an obstacle to managerial innovations. The contribution of the research is the fact that the identification of the gap between the aspects of routine can help policymakers and managers of public administrations, on the one hand to observe some managerial processes through a specific lens of observation, on the other to catch the reasons for the gap and try to find operating solutions to reduce them.

The paper is structured as follows. After the introduction (§ 1), the literature review of organizational routine is presented (§ 2.1), extending this perspective to interpret managerial practices in the public context (§ 2.2). The next paragraphs describes managerial innovations in the context of Italian local governments (§ 3) and the process of formulation of EMP as organizational routine (§ 4). Then the case study is introduced, presenting the methodology and the research site (§ 5). The empirical evidences highlight the performative and the ostensive of the EMP formulation process with respect to innovative managerial changes (§ 6-7). Finally, some comments and conclusive remarks are suggested (§ 8).

## **2. The Literature Review**

### **2.1 The Organizational Routines and the Innovative Change**

The resource-based view focuses on the strategic application of resources held by organizations consisting in capabilities and routines through which organizations create value and competitive advantage (Amit and Schoemaker, 1993; Barney, 1991; Holweg and Pil, 2008; Peteraf, 1993). The organization's ability to develop new resources over time are defined dynamic capabilities. These capabilities are organizational routines by which the organization achieves new configurations of resources that include various environmental changes (Teece et al., 1997; Esenhardt & Martin, 2000), using strategically the organization experiences and internal competences (Zollo & Winter, 2002). A

classic definition of routine is given by Winter (1964) that considers routine as a “pattern of behavior that is followed repeatedly, but is subject to change if conditions change”. Becker (2004) identifies the characteristics of routines, classifying them according to some elements: patterns, recurrence, collective nature, mindlessness vs. effortful accomplishment, processual nature, context-dependence, embeddedness and specificity, path dependence, triggers. The concept of routine is connected to a patterned sequence of actions that are contextualized by involving different actors linked by communication or institutional relations (Cohen and Bacdayan, 1994). Different authors consider the stable nature of routine (Amit and Belcourt, 1999; Shapira, 1994; Kanglois 1992), but considering that routine is not inert (Becker, 2004), but the routine changes in relation to the environment changes and innovations processes in a specific context (Feldman, 2000; Becker, 2004, D’Adderio 2008 ). Assuming the processual nature of routines (Becker, 2004), several studies have investigated organizational routines in order to evaluate and understand the processes of organizational and managerial change (Cohen, 1991; Narduzzo et al., 2000).

The relation between routines and innovation is linked to the idea that routine possesses the characteristics to capture the changes. It is possible to understand endogenous changes analyzing how the routines change gradually (Becker, 2004). In addition, the subjects involved in the operational process of change, react on the base of previous routines. (Nelson and Winter, 1982; Feldmann, 2000; Becker, 2004; Becker et al., 2005). In this sense the study of different aspects of routines helps find solutions to response to environmental changes (Pentland and Feldman, 2005). Furthermore, this perspective is useful to investigate the nature of change and innovation in organizational processes influenced by different levels and elements of routines, for example cognitive models and behavioral approaches (Feldman, 2000; Pavlov and Bourne, 2011; Feldman and Pentland, 2003). Through organizational routines, the organization achieves new configurations of resources that incorporate various environmental changes (Teece et al., 1997; Esenhardt & Martin, 2000). “Organizational routines thus contribute to both stability and change, and play an important role for organizational flexibility” (Becker, 2004).

## **2.2 Organizational Routines to Interpret Innovative Managerial Processes**

Some studies have analyzed the role of resources and skills and their adaptation to innovation and changes in the public context (Ridder et al., 2005; Bryson et al., 2007; Douglas et al., 2012), trying to analyzed the aspects of organizational capabilities in this area of study (Joyce P., Drumaux A., 2014; Edquist C. et al., 2015).

The use of the resource-based view in a turbulent environment of public organizations has been examined also by Butler (2009), identifying the key resources and competencies able to manage the environmental dynamics.

Douglas et al. (2012), adapting this framework to the public context, recognizes that the end of local governments is not a competitive advantage but “a maximization of performance for all”, indicates a “core group of dynamic resources”, that are necessary elements to achieve sustained “above average” performance. Ridder et al. (2005) highlight the usefulness of this theoretical perspective to understand the dynamics of change in the introduction of a new accounting system in the municipalities of a German state, defining the dynamic capabilities as “information-based” processes linked to the capacity of an organisation to “deploy resources, usually in combination, using organisational processes, to effect a desired end” (Ridder et al., 2005). Organizational routines in public organizations are less investigated (Klein, Peter G. and Mahoney, Joseph T. and McGahan, Anita M. and Pitelis, Christos N., Resources, Capabilities, and Routines in Public Organizations, 2010; Moynihan Donald P. and Lavertu S., 2012, Xuanghiu Liu, Wouter V. Dooren, 2013; Hui Loi, 2013). Some authors consider the use of performance information as an organizational routine with reference to the management control system of public organizations (Xuanghiu Liu, Wouter V. Dooren, 2013). Hui Loi (2013) studying the case of Bintulu Development Authority, through institutionalization of

CSR elements as part of the relevant organization routines, asserts that CSR becomes an organizational routine of value to Authority.

The present study adopts the theoretical perspective of organizational routine to investigate managerial tools and administrative procedures in public organizations. These processes are consolidated and repetitive practices, but they are not static and unchangeable processes. “Different performances of the same routine across time or space will often be characterized by more or less relevant mutations introduced by organizational agents to adapt routine performance to local conditions and contextual contingencies” (Salvato, 2009).

Starting from the concept of routine, as an essential process to understand the organizational change (Becker, 2005), an important notation is linked to the consideration that routine has two different characteristics: routines as activity patterns and routines as cognitive regulatories (Becker, 2004).

To analyze the dualistic nature of organizational routine in a dynamic dimension, the conceptual framework by Pentland and Feldman (2005) is introduced. Starting from the literature that considers routine as “generative dynamic system” (Lazarcic, 2000; Feldman and Pentland, 2003; Hodgson, 2003), the authors define routines as “emerging systems with internal structure and dynamics”. They identify the ostensive and the performative aspects of organizational routines, assuming the known terminology used by Latour (1986).

The ostensive aspect is the structural and interpretive part, the meaning idea of routine, while the performative refers to specific actions of particular people, at certain times and contexts. The ostensive level of routine thus refers to the idea of the routine, that is, as individuals working in organizations perceive routines. It is a subjective and not unique aspect because the interpretation that the subjects do depends on the role that the individual plays in the organization itself. Essentially, it refers to what people think they have to do with respect to standard operating procedures or to a set of rules. The performative aspect of routines is characterized instead by specific actions taken by the subjects at any one time, when they are involved in an organizational routine. The two aspects condition each other reciprocally: what people think influences what people actually do. In addition, the performative aspect may change what individuals think, modifying their perception of the events.

The authors argue that the relationship between ostensive and performative aspects of the procedure creates the conditions for the change and / or maintenance of innovative practices and patterns of action within the routine and that it can describe stability or a significant change in its structure. Both aspects are necessary to establish a routine and the study of their relationship is important as it can help us to understand the role of change in organizational routines and the interaction between variability and stability. The ostensive and the performative aspects are codified and enabled by artifacts, as physical manifestations of the organizational routines (i.e. rules, standard procedures, etc.). The artifacts appear relatively stable, as they do not change systematically with respect to changes of the ostensive and performative aspects. If one considers the ostensive aspect as an explanation of actions taken by subjects, the relative artifacts can be considered written or standardized procedures and rules. In the case of the performative aspect, as reportable activity, the artifacts can be reports or database (Pentland, Reuter, 1994). Artifacts may affect the routine, providing guidelines or operational constraints but they leave discretionary options for the realization of the actual behavior. The subjects of the organization can achieve, with respect to artifacts, different perceptions and different modes of action. Pentland and Feldman’s (2005) perspective allows different approaches to studying routines including the interrelations of artifacts and the two aspects discussed above. The first relation allows checking the alignment between the written rules and the real understanding of what subjects are doing. The second one, instead, by examining the match or mismatch between the written rules and performances, is a measure of behavioral control.

According to this approach, we adopt this framework to interpret some critical issues in the development of organizational routines according to innovative changes in Italian local governments.

### **3. The Regulatory Context of Italian Local Governments**

The budgetary system of the local authorities is the essential tool for the process of planning, programming, managing and accounting. Its objectives are to provide social, economic and financial information about future plans, those in progress and performance of the institution for the benefit of stakeholders. All planning documents of the mandate as well as those related to the executive programming are a part of the budgetary system. The financial and accounting regulations of local governments find its legal basis in the text of the laws on local authorities, the TUEL, (Legislative Decree no. 18 August 2000, 267 and its implementing rules). In the recent regulations, the Legislative Decree no. 150 of 2009 - Decree "Brunetta", integrated the budget system by the provision of two new documents, the Plan of Performance and its final document, the Report on Performance. These documents have today a crucial dual role. On one hand, they appear to be useful tools to a more rational managerial work of the public administration, on the other hand, they, for their structure and ends, are able to be instruments for implementing the principle of transparency, through the communication of objectives and results to stakeholders of institution. The process of normative reform (Legislative Decree no. 118/2011, Law 7 December 2012, no. 213 Legislative Decree no. 126/2014) introduced significant changes in structuring budget of local authorities and their organisms to achieving harmonization of accounting system. In particular, a new fundamental principles is introduced with respect to preparation of the budgets of local authorities, namely "reinforced cash competence" and the accrual accounting is made compulsory in order to provide a measure of control of public expenditure. In addition, this decree has redefined the financial statements of the local authorities in order to facilitate the coordination of the different public accounting documents and to improve the transparency and accountability of institution. It has also introduced the requirement to prepare consolidated financial statements and the Plan of the Indicators and Expected Results of the budget. The Plan is defined in order to explain the objectives of the managers, measure results and monitor actual performance in terms of services provided and activities performed. Under the provisions of the Decree, the Plan is a part of the planning documents and budget.

The recent regulatory intervention of the legislature has had important effects on the entire planning system of different public entities, introducing additional provisions and revising the aforementioned Legislative Decree no. 118/2011 (Decree no. 126/2014); the Unified Programming Document has been introduced, with the purpose to permanently replace the Forecasting and Planning Report from the year 2016. Regulatory intervention tends to assert vigorously the necessary consistency of the contents of various accounting documents of programming activity whose the common goal is to provide useful tools for public management. The actual regulation strengthens the role of the EMP. The new rules establish the extension of the preparation of EMP to all municipalities having a population of over 5,000 inhabitants, instead of the 15,000 foreseen under the former provision of the law. Other important regulatory measures (Legislative Decree 10 October 2012, n. 174, ratified with amendments by Law 7 December 2012, no. 213), established that, in order to simplify the process of management planning of the institution, the Detailed Objectives Plan (DPO), document that, before, was formulated separately for the management control, and the Plan of Performance are organically unified in the EMP. Then the EMP is now radically changed. Before the regulatory changes the document contained: general objectives and the allocations of financial resources according to the responsibility areas. After the recent normative modifications the EMP includes: the allocations of financial resources according to the responsibility areas, the DPO and the Performance Plan. The new structure of the EMP implies a change in the formulation process leading to its preparation.

Starting to this articulated regulatory frame, the managerial innovations has been focused on the achievement of a greater level of efficiency and efficacy of public services and a more appropriate assessment of managerial responsibility on the results obtained. In this context, the EMP is a key instrument of management control in public administrations. It expresses an organization's ability to manage public resources, in order to ensure a rational planning activity to realize the intended

purposes. This tool, useful for planning and controlling activity moreover reinforced by the recent Italian regulatory reform, as described before, involves the adoption of a shared formulation process with relevant implications in organization assets of public administrations. The EMP should be formulated and defined according to DPO e the Performance Plan (PP). The DPO contains a detail of the activities to be implemented and the connected objectives; the PP with its final document (the Report on Performance) aims in particular to measure, evaluate and communicate the performance to internal and external stakeholders. It is noted that, unlike the EMP, the Plan of Performance presents a well defined structure provided by rules, and this, probably, because performance should be measured according to rules and methods that should be uniform.

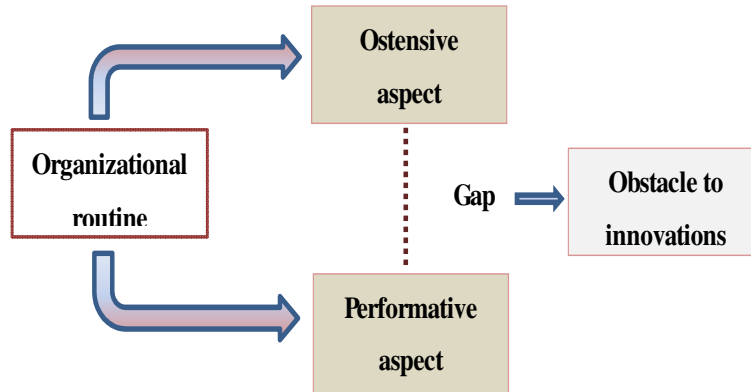
Several contributions are directed to investigate managerial innovations introduced in Italian local authorities. Some studies have investigated the critical effects of the introduction of management tools, as management control systems and performance measurement cycle, in different public contexts (Berman and Wang, 2000; Borgonovi, 2005; Berland and Dreveton, 2006; Anessi-Pessina et al., 2010), highlighting the limited or partial implementation of managerial methodologies (Powell & Di Maggio, 1983; Anselmi, 2001; Pessina & Steccolini, 2007).

#### **4. The Organizational Routine of Formulation Process of EMP**

To better frame the process of formulation of EMP, as an organizational routine, some aspects are described to understand the context in which it has been developed.

The reform of accounting system of local authorities, which took place with the Italian Law no.77/1995, tries to provide guidance to public officials to manage their organization. This impulse emanates from this provision, which defines the separation between institutional functions assigned to elective bodies (Executive Board and City Council), and the technical functions assigned to managers and the employees. In this context the EMP has been introduced, identifying the passage from political choices to executive and technical activity. The EMP is also the tool that disaggregates even more analytical the items made in the budget. Its function as a management tool can be done when the accounting data is analytically disaggregated and compared to the organization assets, thus defining a correspondence between management activities and resources necessary for their achievement. The allocations of financial resources, the definition of objectives in accordance with management responsibilities, the assessment of results, the evaluation of those results according to the objectives, the identification of the performance cycle are essential parts in the structuring of the EMP. In this sense, the process of formulation of EMP should imply the involvement of the responsible for determining objectives and the identification of specific criteria to assess the performance by setting up indicators. Through the technical and managerial function of EMP, which is manifested in the clear identification of areas of responsibility and economic instruments of measurability of performance, it is revealed its supporting role indispensable for the activity of management control. It follows that the routine of EMP formulation process also influences the realization of the management control system. The control system, also with respect to the public sector, can in fact be defined as “the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities” (Simon, 1995; Norman, 2001).

In order to examine the procedural and behavioral approach of the routine of formulation of EMP, evaluating its inertial profile or changes and critical elements in a given context according to the introduction of recent managerial innovations, a case study has been conducted. Adopting the distinction of routine formulation process of EMP in its ostensive and performative aspects (Pentland and Feldman, 2005), any divergence between the two aspects can constitute an obstacle to introduce managerial innovations in the context of local government investigated. The logic used in the interpretation of the case study is explained in the following Figure.

**Figure 1:** The logic of interpretation of the case study

While the context of local authorities has been characterized by profound reforms that have enriched the management systems by providing additional tools for measuring results and that affects not only the organizational assets but also the procedures and processes taking place in public institutions, we ask ourselves how the routine of EMP formulation process has reacted to these innovations? May the examination of the routine structure to bring out critical issue with respect to managerial innovations?

The case study analyses the organizational routine of EMP formulation in order to understand any gap between the ostensive and the performative aspects, that could affect the reaction to managerial innovations.

## 5. Methodology and Research Site

The research tries to apply the theoretical perspectives of organizational routines developed by Pentland and Feldman's (2005), to the context of a local government. The empirical research, through an explanatory case study (Yin, 1984), tries to examine the development of a specific routine in its ostensive and performative aspects (Hansen, 2011), such as EPM formulation process, affected by the recent introduction of managerial innovations. The theoretical approach presented above are used to explain the specifics practices within the organizational context of a local government, rather than to provide generalizations (Scapens, 2004).

Case study was carried out ex post, by reconstructing retrospectively through semi-structured interviews. Regarding the methodological aspect, the research can be categorised as "ex post facto" (Lukka and Vinnari 2014) as such it was conducted after the analysed events, excluding real-time elements and the active participation of the researchers in the events.

It has been realized a documents analysis according to the recent processes of reform that innovate the structure of EPM and the performance measurement. To reconstruct the process of formulation of EMP since 1995, the responsible for management control and the responsible for the formulation of EMP were heard. These subjects, in the time period considered, have changed their organizational position.

Official accounting and performance documents (such as budgets, financial reports, documents of performance cycle, etc.), the EMP from 1995 to 2016, the statute, the accounting regulations of the local government, the Regulation relating to the organization EMP of offices, some resolutions reached relevant to understanding the process were analyzed. Among the interviewees, to gain knowledge of the history of the formulation process of EMP and to catch accounting changes, the municipal secretary, some Executive Board members, the main managers of services, the Head of Finance Office are interviewed to catch their perception of events and procedures in which they were involved. In all, 10 interviews were conducted, including 6 with political parties and 5 with managers.

The research site was a Local government placed near to the City of Catania. It extends on an area of approximately 5.04 square kilometers and has 26,171 inhabitants. The authority bases its economic life essentially on handicrafts and farming, through agricultural crops and small processing industries of local products. It has been chosen an institution with more than 15,000 inhabitants as required to prepare the EMP, although the recent legislative declined this limit that is 5,000, and also on the basis of meetings with the secretary of the municipality which showed that the formulation process of EMP has been remained stable over time also in response to regulatory changes. This made curious and interesting the investigation in order to better understand these dynamics.

Programming activity takes place, therefore, after the strategic planning phase from which officials take institutional decisions, considered as constraints to be respected, as well as programs and strategic projects, considered as long-term objectives that the management should achieve. Planning operational tools are, in addition to the annual Budget, through which the authority defines the amount of resources available and usable in the public activity, the EMP, specified by art. 169 TUEL, and the Detailed Objectives Plan (DOP), required of art. 108 and 197 of the same rule. To these are added, since 2009, the documents of the performance cycle. The EMP is the programming tool that allows the Executive Board, before the beginning of the year, to determine the management objectives, assigning them, with the resources, to service managers. The EMP has authorization effectiveness to managers and undoubtedly represents an operational tool useful to govern the management of the local authority. The legislation does not provide for a mandatory scheme, and that because its structure is closely related to the organizational structure of the institution and, therefore, to its organizational and information needs.

## **6. The Routine of the EMP Formulation Process in the Local Government**

The EMP assumed by managers and political parties the function of guiding and coordinating activities of the institution; it is considered as a tool of separation between the political functions and the administrative responsibilities. The tool assigns to public managers the objectives according to their competence. Managers transfer the sub-objectives to employees, realizing the allocation of resources and coordinating the overall activities. The EMP is identifiable as a standard procedure with respect to its formulation and to concerted process that realizes. The process of formulation, as an organizational routine, considers the entire path from the consensus stage to the structuring phase and ends with the approval of the final document.

The EMP is drawn up since 1995. It is a programmatic and operational documents, detailing more precisely and timely resources and interventions defined in the annual Budget. The EMP in the local government investigated has always been a mere function to disaggregate the budget, starting in elementary units both the resources and interventions and splitting spending services into cost centers. The latter disaggregation is not rigid and depends essentially on the size of the organization and on the number of services managed by institution. From 1995 up to 2009, the process of formulation of EMP did not realize the related process of setting goals for EMP. The definition of the objectives has been achieved since the introduction of management control system in 2000.

The formulation of the EMP then has always involved the consultation among parties only on the distribution of financial resources, neglecting the one about definition of objectives and the connected indicators. Indeed, the negotiation phase, preceding the preparation of the document, is about allocation of financial resources, with the main purpose of reaching a balanced agreement between different and often conflicting political and technical requirements in relation to the managerial ends.

The EMP is now considered a management tool that traces a path of recurrent action, punctuated by priorities, times, exchange of views, interactions and methods of implementation of the administrative action, translating into an organizational routine. In this sense, the EMP is not considered a mere accounting fulfillment but an organizational process based on the interactions between public actors and on a complex system of defined procedures.



The routine is a “process, even despite the conceptual complication that a recurrent pattern of interaction is a somewhat stable sequence of interactions” (Becker, 2004).

Therefore, the EMP is the tool that connects the policy guidelines with operational planning, thus representing the link between politics and bureaucracy. The responsibilities of the municipality investigated are clearly defined and precise. The organization has identified the areas of intervention of the municipality and the responsibilities of each manager, as explained by the organization chart that represent the administrative structure. The allocation of responsibilities in the entity is defined in the Regulation on the structure of offices and services that identifies for each office the responsible of area and other organizational positions, indicating their skills and responsibilities.

## **7. The Ostensive and Performative Aspects of the EMP Formulation Process**

The study of the routine in the municipality has tried to identify on the one hand the rules formalized and not formalized and the procedures followed in the process (artifacts) and, on the other hand, to get the information in order to define the relationship between the ostensive and performative aspects of the routine. It has been reconstructed the idea of the process (ostensive aspect) and the actions and behaviors of routine (performative aspect) of those involved in the formulation of the EMP. A first step in the analysis was to identify the artifacts. The artifacts refer to the relevant regulations and procedures standardized of formulation of EMP, contained in the Accounting Regulations of the local government and other legal sources. These rules are closely linked to the ostensive aspect representing precisely the idea of the process. “The relationship between artifact and ostensive aspect is about an alignment of document and other objects with what we understand about what they are doing” (Pentland and Feldman, 2005). In addition, software systems and database represent artifacts that can affect the performance aspect. In general, the relationship between the performative aspect and artifacts represents more a “control of behavior” (Pentland and Feldman, 2005).

### **Ostensive Aspect**

In order to identify the ostensive aspect of routine, they were interviewed those involved in the procedure in order to earn their idea about the process. Therefore, subjects responded on what they think about the process, content and methods of their actions, their knowledge of the formulation process and interaction between politicians and experts in order to reach the structure of the EMP. The process of formulation of the EMP is formalized in the Accounting Regulations of the institution and takes place once a year. The Accounting Regulations are a set of rules that govern economic and financial administration, aimed “to the conservation and proper management of public assets and the detection, analysis and control of operating events involving revenue and expenditure for the budget, and qualitative and quantitative mutation of the asset of the Authority” (Accounting Regulations). The rules and standards derive from: the municipal regulations on the structure of offices and services; the Accounting regulation, the Administrative Rules of Local Authorities in force in Sicily; the legislative decrees no. 267/2000 and no. 165/2001 and the legislative decrees no. 150/2009 and no. 126, 2014. These standards and the negotiation procedure are the sources of the formulation process and they reflect the ostensive aspect as they provide an idea of the process. “The relationships between artifact and ostensive aspect are close” (Pentland and Feldman, 2005). In this way, it has been highlighted a match between the content of the written documents and procedural rules and the idea that the subjects have about the process.

Before starting the process of formulation of the EMP, there is a negotiation procedure between the managers, the Head of financial service, the Aldermen and the Mayor to establish the amount of financial resources to be included in the EMP and to setting management objectives. At this stage subjects present the priorities and modulate interventions and resources in relation to those priorities; they discuss in formal and informal meetings. The procedure requires that the Head of financial service formulates the EMP and send it to the Municipal Secretary and to the Head of management control (to

the latter since 2000, when it was set up the management control system). Subsequently, the proposal is sent to the Executive Board, which will approve the document only after the approval of the annual Budget.

The art. no. 13 and art. no.15 of the Accounting Regulations indicate the set of rules that define the process of formulation of the EMP:

- For the purposes of establishing the budget and forecasting and planning documents attached, by 30 September each year, the manager formulate the objectives and goals set established by the Mayor, and the related proposals, accompanied by reports, communicating, by the same date, to the Head of Finance service. Proposals must be compatible with the financial indications provided by the Mayor or his delegate and must meet the criteria of efficiency and economy of the financial and economic management, as well as the assets of the organization.
- The Mayor or the delegated Aldermen, realized, through the Financial service office, the first operations of coordination of proposals and verification of compatibility with all resources conceivable, provide managers of the indications for the purpose of adapting to these proposals. The new formulations will have to be submitted to the Head of Financial service by 15 October.
- The Financial service office, within the next 10 November, elaborates the budget assumptions, after having verified the accuracy and compatibility of estimated entries and expenditures.
- The Executive Board, according to the art. 30 of the statute and taking into account any opinions and proposals, approves the annual Budget and the attached planning accounting documents by 20 November; after the approval of such schemes, they are transmitted by the Head of financial service to the Board of auditors to acquire its reported opinion, to be made within the next ten days.
- The EMP, only containing annual or triennial resource, determine management objectives of individual services, with the graduation of resources and interventions in responsibility centers, cost centers, and elementary articles.
- According to the art. 108 and the art. 169 of the text of the laws on local authorities, the TUEL, and to the art. 27 of statute and the art. 5 of the Regulations on the structure of offices and services and on the basis of the budget approved by the City Council, before the start of the reporting period and - within 15 days from the enforceability of the approval, the proposal of EMP advanced by the General Manager (Municipal Secretary) on the scheme drawn up by the Financial Service with the cooperation of other services, is approved by resolution of the Executive Board. In the absence of the General Manager, the formalization of the proposal of EMP is assigned to the Head of Financial office. The Plan is not subject on discussion by the Council.

Recent legislation, not yet transposed in the accounting regulations but known by those involved in the formalization of the EMP, states that the Executive Board approves the EMP within twenty days after approval of the annual budget (the rule was introduced as a result of changes of Tuel with the Decree 118/2011 - coordinated with Legislative Decree no. 126 of 2014 - in force since 1 January 2015). Previously there was not a specific date indicated by the rules but also the obligation to approve it after the budget, "Based on the annual budget approved by the City Council, the Executive Board defines, before the start of year, the implementation of plan management and the sets of the objectives of management and assigning them, with the necessary resources, to service managers" (TUEL -Legislative decree no. 267/200). The EMP is approved in line with the annual budget and with the Unified Programming Document (implemented from 2016). The Detailed plan of the objectives and the Performance plan are organically unified in the EMP.

The deliberation approving the EMP recommend that the Executive Board members and managers have viewed the programs expressed in the Forecasting and Planning Report (which will be replaced by Unified Programming Document) and have taken note of the human resources allocated to

each service as expressed by the Detailed Objectives Plan and the Performance plan (this last point is inserted in the resolution from 2009). The resolution also expressed the need for timely approval of the EMP which is essential to assign financial resources and goals to managers.

The next section will highlight the performative aspect, and then if the rules of the process and the idea of procedure correspond to the action and behavior of subjects.

### **Performative Aspect**

The study of the routine tried to understand the way in which the formulation process of EMP is realized and therefore its consistency with the rules and procedures that represent the ostensive aspect, highlighting elements that are not clearly visible and that can affect the performance of subjects. To this end, the performative profile highlights how individuals realize their role and their relations with other subjects and if there are positive and / or critical factors in the process of which they have knowledge and that might affect their action, creating a gap between the ostensive and performative aspect of the routine.

The identification of actions and behaviors undertaken by individuals is the performative aspect. Through interviews and documentary support it has reconstructed what the parties actually make and implement than they think. Specifically, to analyze the performative aspect it has been considered how actors formulate the EMP, trying to understand the concrete action that actually takes place, and how they activate the process of negotiation and formulation in which they are involved. Therefore, the questions have concerned the type of activity performed by the subject and, in order to understand the system of relationships, the rapport with other bodies in carrying out its activities. The two aspects should be the same but it can happen that some action or thought expressed in the written rules may not be realized in terms of performative profile.

The modalities of interactions and the exchange of opinions among the managers, the Head of financial service, the aldermen and the Mayor to establish the amount of financial resources, to be included in the EMP, did not present particular critical stages over time and has been realized following the procedures of consultation planned and consolidated over time. The procedure of formulation and approval as proposed and designed by the subjects is in part confirmed in the performative aspect.

There has been a discrepancy on the contents of consultations between actors, which affects the first part of the formulation process and consequently all formulation process. Actually, consultation between parties for EMP occurs only with reference to the financial resources and not on definition of objectives. The negotiation and consultation on the definition of the objectives has been initiated since 2000 for the purpose of management control system but not for the preparation of the EMP. The local body then produces the Detailed Objectives Plan (DOP), which is a separate document from the EMP. Only recent regulations have integrated into the EMP the DOP and also the Plan of performance, the latter introduced in 2009. The introduction of the DOP has started slowly, in recent years, to try to change the performative aspect of the routine, since the process of formulation of the EMP is trying to involve actors also in the sharing and goals setting. But this process of initial change of the routine is problematic. Specifically, the Plan of performance and the associated DOP are approved on January 31, while the EMP, despite being a programming document, follows the approval of the annual budget, which always takes place not at 31 December, as established by TUEL, but at a later date defined each year by Ministerial decree. The integration into a single organic document, such as the EMP, of different documents is not very feasible as expressed by some managers and the municipal secretary, since the delays in the formulation and approval of the EMP would be reflected on the formulation of the objectives that are useful for managers only if defined at the beginning of the year. Executive managers cannot operate without predefined objectives.

The Municipal Secretary (June, 2016) argued that *“The inclusion of the DOP and the performance plan in the EMP creates some distortion ... because the EMP is approved late respect to the other planning documents... So, defining the objectives and the related performance measures at*

*the end of the year does not make sense..... Executive managers are unable to act without predefined objectives”.*

As an example of these criticalities, the following list shows the dates of approval of the various planning documents for the year 2014, data obtained thanks to the kind support of the Municipal Secretary of municipality:

- Forecasting and Planning Report, approved by deliberation of the Council no. 38 of 08.08.2014;
- Multi-year Budget, approved by deliberation of the Council no. 38 of 08.08.2014;
- Annual Budget, approved by deliberation of the Council no. 38 of 08.08.2014;
- EMP, approved by deliberation of the Executive Board no. 48 of 08.25.2014;
- Performance Plan and DOP approved by deliberation of the Executive Board no. 11 of 06.03.2014.

In the local government investigated, therefore, in the last two years, the Performance plan and the DOP were approved earlier in the year in order to complete the cycle of performances, from estimating to reporting phase. The EMP appears to be, because of this discrepancy time, a corollary of the budget and uncoupled, with respect to its formulation process, from the DOP and the Plan of performance. The interviews of municipal secretary highlighted that the delay in the approval of the EMP and the annual budget also makes very critical the formulation of financial indicators and their measurement. The formulation of the EMP with delay does not allow organization to define in advance the financial resources to be allocated and therefore to structure the useful indicators promptly defined and constantly determined.

Finally, actors specify that the DOP, then formulated, for managerial reasons, uncoupled from the EMP, indicates which parts are connected to the approval of the programming documents and then would become effective following the approval of the EMP.

Another critical element is connected to the consistency with the objectives expressed in the Forecasting and Planning Report. The interviewees believe that it is necessary to improve the consistency between the contents of the two documents and therefore included, in the consultation and sharing process, financial and non-financial information of strategic documents. The Head of Financial Services (September, 2016) affirmed that *“to anchor the distribution of financial resources to setting strategic and operational goals, should improve the formulation process because the negotiation would be more effective and the EMP would achieve better its objectives”*.

The interviewees believe that in order to improve the process of formulation would be useful to implement a cost accounting system to generate cost centers for the EMP. On this point, it is believed that the authority should consolidate skills and competences for the introduction of accrual accounting and cost accounting. In this sense it notes that some artifacts such as the software of accrual accounting program is not used. This affects the performative aspect of routine that will surely improve if the subjects would have knowledge about costs information.

## **8. Comments and Conclusive Remarks**

The study of the gap between the ostensive and the performative aspect of routine allows to identify some elements that highlight critical issues with respect to managerial innovations.

The comparison between the set of formal procedures and the concrete realization of the processes highlights the elements that can potentially improve and / or modify the routine. Some critical elements have emerged from the analysis, as explained before, including the mismatch between what individuals know they have to realize and what they realize, as the process of setting goals that is disconnected from the process of formulation of the EMP. The organizational routine investigated has several critical elements related to adaptation to some managerial innovations, caused by the delay with which it is realized the process of formulation and approval of the document. The good management of public organization and its ability to plan and control their activity derive from the manner in which it

respects the time of approval of the various documents and the chronological order of their formal deliberations.

It is essential that the institution is able to set the programming activity in time, to support the management, avoiding that the formulation process of the documents produced is defined only as a mere bureaucratic fulfilment or when its usefulness is limited and residual. The logic with which the administration is able to meet deadlines for approval constitutes the indispensable precondition for the programming tools including the EMP: if they are not formulated in time the local body moves out of the logic of programming activity. In this sense it should be noted that, as described by the Head of financial service and the Municipal secretary, during the year 2017, pending the preparation and approval of the annual budget, the administration has set a framework for the performance plan and formulated a EMP draft in the first months of the year. This happened in order to have patterns of planning documents even before the deadline. Subsequently, following the approval of the budget, the administration has made some changes to the performance plan and completed the formulation of the EMP that was approved after the approval of the budget. It specifies, in order to correctly interpret the work of the institution, that a part, certainly relevant of budget of local authorities, is constituted by state and regional transfers. The delay with which such transfers are calculated affects the timing of approval of the documents of the institution. For these reasons the terms of approval of the programming documents is postponed.

At the same time, in the municipality, there has been a synergy between the political and the technical parties especially in the last mandate that creates the conditions for achieving a process of consultation and interaction between actors. In this context an essential role is realized by the Municipal Secretary, which also fills the position of General Director, who guides the administrative action and is a constant guide for services managers of various operating units. Ensuring a strong commitment by political and administrative subjects and a positive organizational environmental constitute an element of dynamism for an institution that wants to improve managerial processes.

Another finding is the need to improve the consistency between the formulation of the EMP and the preparation of strategic documents. This need will be realized with reference to the innovations regarding the strategic planning documents. The local body from the following year will has to adopt the Unified Programming Document and the Plan of indicators and the expected results of the budget. It becomes essential to succeed the integration of the strategic priorities and operational objectives. The means by which the local government can realize this goal are: the Forecasting and Planning Report (which will be replaced by UPD), the budget, the EMP and the DOP. In order to check consistency between these documents, the predisposition of periodic reports for political and administrative actors would be very useful to provide information about the level of achievement of planned objectives, thus supporting the process of formulating of these documents including the EPM.

Some elements that need to be improved compared not only to the process of formulation of the EMP but also with reference to the management system, highlighted also by the Independent Evaluation Board of the institution, are the necessity to improve the training of the personnel and to develop and replace certain equipment and computer programs considered obsolete. Defining a program of training and upgrading of skills increase the chances of improving the organizational performance of the institution. To this end, the Municipal Secretary expressed the willingness of the institution to invest in this direction in order to improve the accessibility of data and then the formulation of documents.

The study of routine had highlighted whether or not there are differences between rules and what people have understood about their actions (ostensive aspect) and between those rules and the concrete actions (performative aspect). Any discrepancy among the set of rules and implementation of the various dimensions of the routine can be ascribed to the ostensive or performative aspect. The critical issue, such as the divergent purposes attributed by different subjects to some standard procedures or, given a specific standard procedure, the delay in the implementation of the relative performance, are critical elements that give an idea of the dynamics of a routine and its reaction to change.

The study has the main limitation that regards the empirical approach based on managerial processes of a single case, which impedes generalisation of results and requires a further studies aimed at considering more cases in order to investigate other different organizational routines in the same public context or the same routine in different public organizations.

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