



Accounting and public sector reforms

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A study of a continuously evolving governmental agency in Australia

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Abstract

Purpose – The purpose of this research is to explore the role of accounting in the reform process of a continuously evolving governmental agency in the Australian state of New South Wales.

Design/methodology/approach – Drawing on two complementary organizational change models, the paper investigates how the shifting objectives of the Department of Public Works and Services (DPWS) rendered its financial management and accountability systems inadequate and how “new” accounting technologies introduced to anchor the reform process clashed with bureaucratic procedures to create a very challenging context for the organization’s management. The paper uses multiple research methods including interviews, archival material and observation to understand the reform process at the DPWS and its implications for public sector accounting and public sector management.

Findings – The paper finds that the unique history and continuously evolving nature of the DPWS makes it an important context for re-examining the dynamics of change processes and the contribution of accounting technologies within that context. Since the late 1980s, the DPWS has transformed itself from a budget-dependent bureaucratic governmental agency to a business-oriented commercialized agency operating in a competitive environment.

Research limitations/implications – Future research could be directed at understanding how cultural fragmentations are mended in this extremely challenging reform process. Further case studies employing the two organizational change models could provide additional insights in this area.

Practical implications – The paper argues that the cultural fragmentation that is introduced by the reform of the Public Works Department and the diverse and often conflicting obligations of the sector have added to the complexities of managing the organization. Perhaps a transformational leadership-style might be appropriate for managing such a challenging context.

Originality/value – This paper would be of value to researchers and practitioners with an interest in public sector reform and management.

Keywords Accounting, Public sector reform, Organizational change, Australia

Paper type Research paper



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Introduction

Since the mid-1980s, researchers have directed significant energies at understanding the role of accounting in the sweeping reforms to the traditional public sector – reforms that are occurring in almost every country in the world (Hopwood and Tomkins, 1985; Guthrie, 1994; Llewellyn, 1998; Lapsley, 1999; Lawrence, 1999; Llewellyn and Northcott, 2005). The main motive(s) for such reforms, some studies have noted, include the need for efficiency, effectiveness, and economy and have centred on operational and financial management processes of public sector entities (Tomkins, 1987; Broadbent and Guthrie, 1992; Pallot, 1992; Guthrie, 1993; Parker and Guthrie, 1993; Guthrie and Humphrey, 1996). While some prior studies have shown an absence of management resistance and significant improvements to the financial management process(es) of particular public sector agencies (see for example, Jacobs, 1997, 1998; Mir and Rahaman, 2003a, 2003b), the vast majority has clearly noted significant financial management difficulties provoked by public sector reforms (see Pallot, 1992; Puxty, 1997; Cooper and Arnold, 1999; Lawrence, 1999; Llewellyn and Northcott, 2005; Lowe, 2000). One of the key elements in the financial management reform process is the utilisation of accounting techniques hitherto operative in conventional profit-oriented entities for planning and decision making in the new public sector environment. Such practice has been labelled “the new public management regime”, and has become the subject of numerous prior studies in the accounting literature (Hood, 1995; Lapsley, 1999).

This paper contributes to the literature in this area by exploring the role of accounting and financial management technologies in the reforms process at the Department of Public Works and Services (DPWS) in the Australian state of New South Wales. The paper provides additional evidence of how new accounting and financial management technologies introduced to anchor the reform process clashed with old bureaucratic procedures to create an extremely challenging context for the management of the DPWS (see Dent, 1991; Puxty, 1997; Llewellyn, 1998). We investigate how the cultural and organisational transformation process challenged the extant systems of accountability at the DPWS and how this eventually prompted demands for commercial accounting and financial management technologies. In pursuing this objective, we seek to extend the prior work of Dent (1991), Abernethy and Chua (1996), Puxty (1997), Llewellyn (1998), Jacobs (1998) and Walker and Walker (2000) by investigating the role of accounting technologies in a very complex organisational reform process through a micro case study. The unique and rich history of the New South Wales DPWS, as will be discussed shortly, provides an important context for re-examining the dynamics of change processes and the contribution of accounting technologies and agents within that context. Indeed, the DPWS is unique in the sense that while it has always been a government outfit, the current reforms have resulted in a situation where the organisation no longer receives any budgetary allocations from the NSW government. On the other hand, it is required to compete with private sector providers, yet the government proscribes it from seeking outright profit maximization objectives. We attempt to understand the role of accounting within this context through two complementary organisational change models espoused by Levy (1986) and Laughlin (1991a)[1]. While the latter provides the theoretical or skeletal framing, the former provides the empirical guide for investigating the reform process at the DPWS. Our study also contributes to the broader organisational change

literature by observing that the continuously evolving nature of the DPWS suggests that, empirically, some organisations are likely to experience the elements discussed in these models more than once within a relatively short space of time (i.e. suggesting non-linearity).

The rest of the paper is organised as follows: we start with a discussion of the theoretical resource that informs our analysis and interpretation of empirical data collected at the DPWS. We then provide a brief exposition of our data collection and analysis procedures. This is followed by an introduction of the empirical research site and a discussion of the various bureaucratic procedures that preceded the reforms. We then focus on how “new” accounting and financial management technologies were introduced to facilitate the reform process at the DPWS and the challenges that confronted management before providing summary insights and conclusions.

Theoretical framing

Prior research in the area of accounting and organizational change processes (including public sector reforms) have been positioned in a number of diverse ways resulting in significantly different yet insightful conclusions (see Dent, 1991; Puxty, 1997; Jacobs, 1998; Llewellyn, 1998; Llewellyn and Northcott, 2005). For example, in his study of accounting and organizational cultures, Dent (1991, p. 707) observes that:

... evidence in the field suggests that accounting practices are not uniformly implicated in organizational activities ... In some organisations, accounting is centrally involved in work rituals; financial achievement is celebrated; budgets are massaged, pored over and matter. In others, accounting is incidental, perhaps existing as a practice, but with no particular significance.

Other studies grounded in the broader interpretive paradigm (see for example, Llewellyn, 1998) have highlighted the pervasiveness as well as limits of accounting technologies in boundary work and the “reconstitution of organisational task”. Pursuing similar themes, Jacobs (1998) notes that where accounting “performs a boundary function”, it is perceived as less threatening to other professionals (such as clinicians) and hence lead to an acceptance of accounting-oriented changes within organisations.

In seeking to extend these studies and to make sense of our empirical data collected at the DPWS, we draw on the organisational change literature, particularly, Levy’s (1986) “second-order” change model, and Laughlin’s (1991a) set of organisational change models. While each of these models is capable of providing sound organisational change analysis (see Broadbent, 1992; Richardson *et al.*, 1996), we argue that, when combined, they provide a more powerful tool for appreciating public sector organisational reform processes. Levy (1986) starts with the contention that any attempt to explore the levels of organisational change must appreciate the fundamental distinction between “first-order” and “second-order” organisational change processes. Drawing on prior organisational change literature, Levy (1986, p. 19) observes that “first-order” change provides a mask that portrays major differences in an organisation’s outlook while the reality on the ground is that the basic functioning of the organisation remains largely unchanged. In other words, first-order change consists of those non-core altering “minor improvements and adjustments” to an organisation’s functioning. On the other hand, a “second-order” change is more radical,

involving changes to core processes, mission and purpose, culture, and organizational world view or paradigm.

Thus “second-order” change implies a paradigm shift calling for new cultural and operational orientations. Levy (1986) argues that “second-order” change helps to address three fundamental empirical questions: First, what is the driving force for an organisation’s transformation? Second, how do organisations transform? Third, what specific changes have occurred in the transformation process? In this paper, we attempt to address these key empirical questions within the reform context of the DPWS. At the heart of Levy’s contribution to the organisational change literature is the “Cycle of Second-Order Change” (see Figure 1) which encapsulates four key elements; transition, development, decline crisis, and transformation.

Underscoring each of the four elements are significant change-activities such as training, tune-ups, denial, resistance, and reframing of an organisation’s key functions. Combining these concepts with Kuhn’s (1970) scientific revolutions, Levy (1986, p. 19) articulates three “dimensions” for understanding second-order change process: inputs (the driving force); throughput (the process of change) and output (change in organizational paradigm). Levy then argues that a change in an organisation’s paradigm requires significant alteration to the core processes such as “organizational structure, management, throughput and decision-making processes, recognition and rewards, and communication patterns” (Levy, 1986, p. 17). Our paper draws on these aspects of Levy’s work because they allow us to focus on the key empirical questions as a guide for understanding the complex changes that have occurred at the DPWS over several years. In doing so, we are cognisant of the fact that whether a particular ‘environmental disturbance’ is categorised as a first or second-order change is largely contingent on the nature and extent/degree of the change that has occurred. We use our

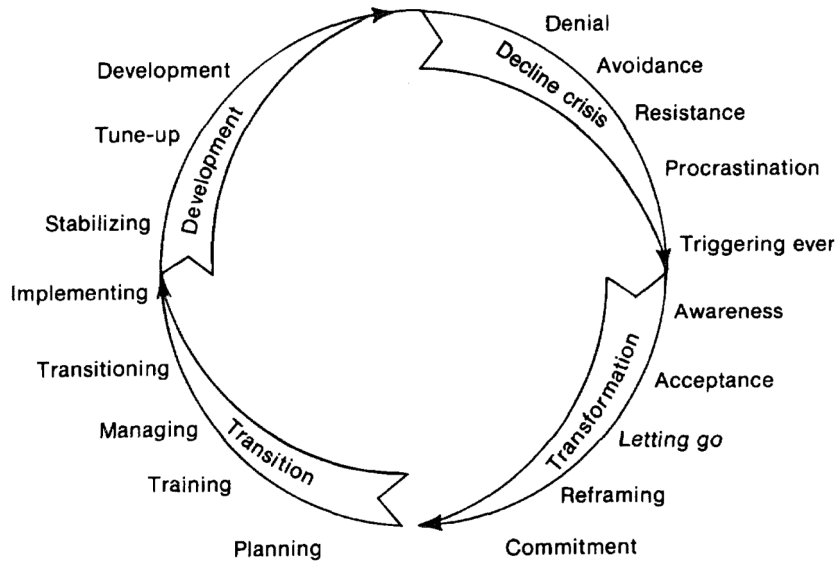


Figure 1.
The cycle of second-order change

Source: Levy (1986, p. 14)

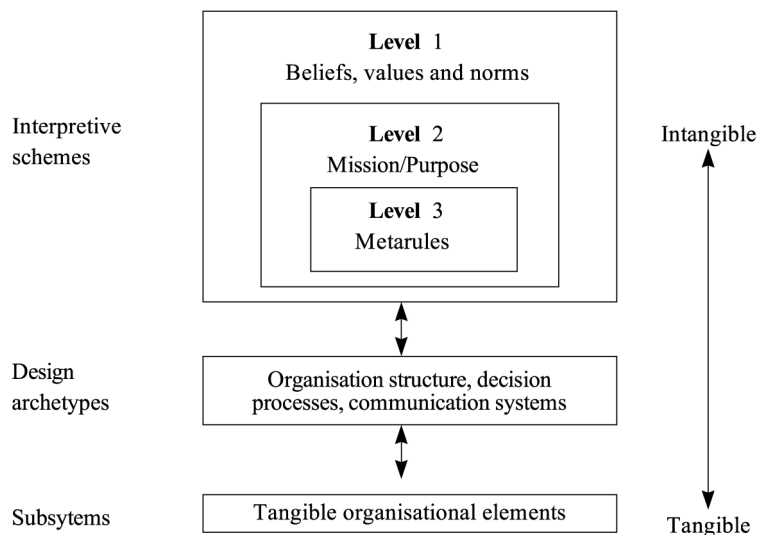
interviews with management to further guide this categorization process, since arguably, they should have a better appreciation of both the change process and the underlying intentions.

However, we supplement Levy's model with Laughlin's (1991a) work largely because the latter possesses the 'language set' that has enabled us to frame, understand, and investigate how deeply the commercialisation culture has penetrated in order to create a new value set within the DPWS. The richness of Laughlin's (1991a) model of organisational change, in part, stems from his integration of concepts drawn from a wide range of prior studies (Bartunek, 1984; Greenwood and Hinings, 1988; Hinings and Greenwood, 1988; Levy, 1986) to develop a broader framework that allows empirical analysis to be made at various levels. As Laughlin argues:

... (t)hese models are intentionally pitched at a highly general level allowing both variety and diversity in any empirical outworking. In fact, these models need empirical examples to demonstrate and amplify their nature. They can be likened to "skeletons" which need the (empirical) "flesh" to make them meaningful "whole beings" (Laughlin 1991a, p. 210).

Since the paper's publication in *Organization Studies*, Laughlin's models have been utilised in the accounting literature within both public sector and non-public sector environments (see Broadbent, 1992; Richardson *et al.*, 1996). At the heart of Laughlin's work is his conceptualisation of organisations as being a fusion of "interpretive schemes", "design archetypes", and "sub-systems", as captured in Figure 2. Within Laughlin's (1991a) model, accounting is represented as an important part of the "design archetype" and a key element of the organisational communications system (see Broadbent, 1992).

The Figure suggests, as Laughlin argues, that organisations contain both tangible elements (such as buildings, people, machines, etc) referred to as "sub-systems" and



Source: Laughlin (1991a, p. 211)

Figure 2.
A model of organisation

less tangible elements (such as finance, norms, culture, behaviour, etc) that are combined in various ways to ensure their smooth functioning. According to Laughlin (1991a, p. 211), the less tangible elements are not only central to organisational functioning but also give “direction, meaning, significance, nature and interconnection to these more tangible elements”. He further notes that unlike the tangible elements, it is often difficult for organisational participants to agree on the less tangible elements. Within the model, the less tangible elements are dichotomised into: design archetypes and interpretive schemes; where the latter are the core values, norms, culture, and beliefs that are held by organisational participants and are bequeathed structure and coherence by the former. The design archetypes also include the formal organisational structure and management systems of which accounting technologies are an integral part (Laughlin, 1991a, p. 211).

Laughlin (1991a, p. 209) argues that “organisational change can only be understood by tracing the process, track, or pathway a disturbance/kick/jolt takes through an organisation”. In his discussion of the process, Laughlin describes four paths as alternative models of organisational transition and transformation: “rebuttal”, “reorientation”, “colonisation”, and “evolution”. Drawing parallels between his work and Levy’s model, Laughlin contends that while the first two (rebuttal and reorientation) are consistent with Levy’s “first-order” change models the latter two (colonisation and evolution) are “second order” changes. Organisations hardly achieve the “evolution” stage without radical shift in “interpretive schemes” or “organizational paradigm” (as Levy, 1986, prefers to describe it) that results in new ethos for the organisation, as required by the current wave of public sector reforms.

The pathways in Laughlin’s (1991a) model are non-linear and a particular type of change could occur multiple times, as observed in the case of the DPWS. For example, it is possible to envision an organisation that undergoes a particular stage more than once over a period of time, especially where change is perceived as a continuous process. This argument is particularly relevant for the analysis of public sector agencies which are constantly evolving largely because of the diversity of socio-political objectives that emerge in their environment over time. We conclude this section with the contention that the widespread reforms occurring in the public sector could be interpreted as a “disturbance” that could provide empirical flesh for Laughlin’s (1991a) skeletal framework and the key empirical questions that Levy (1986) suggests provide a useful guide for exploring this “disturbance”.

Research method

Multiple methods were used to collect data for this paper. The primary sources of data were observation, interviews, and archival material. Formal approval was obtained from the DPWS management to conduct the field study. One of the researchers spent more than one year (1997-1998) with the DPWS as a researcher with permission to attend staff meetings and also had access to various staff facilities such as the canteen, tearoom etc. To capture the most recent developments in the organisation, one of the researchers made four additional visits in October and November 2005 to observe and interview organisational members about developments at the DPWS since its merger with other agencies to form the Department of Commerce. These latter visits enable us to obtain information pertaining to the organisation and cultural transformation that have occurred since the DPWS became part of the Department of Commerce in 2003.

This brought the total number of interviews conducted with participants at various levels within the organisation to twenty-five (Table I provides a profile of interviewees). The interview method used involved unstructured open-ended questions that allowed free-flowing discussions with organisational participants. Following preliminary analysis, follow-up interviews with some respondents became necessary for clarification on certain key issues. All the interviews were tape-recorded and later transcribed before the analysis begun.

In addition to the formal interviews, data for this paper also resulted from informal discussions with organisational participants. Such discussions occurred in approximately 150[2] visits to the staff canteen and tearoom where the researcher listened to organisational participants engaged in routine conversations about their workplace. Extensive notes were taken at these interactions and were sometimes used to assist in formulating formal interview questions. The research method also included non-participant observation where the researcher simply sat in and observed four formal staff and executive meetings and deliberations (of two-hour durations) on issues relating to the reform of the DPWS. These informal sources of data were very useful because they represented attempts to capture the views of organisational participants

Name initials	Location	No. of times interview conducted
CG	Operations Division, DPWS Head Office	1
CJ	Finance and Management Services Division, Head Office, DPWS	2
CD	South Coast Regional Office of the DPWS, Wollongong	2
DV	Finance and Management Services Division, Head Office, DPWS	1
DG	Finance and Management Services Division, Head Office, DPWS	1
GS	Finance and Management Services Division, Head Office, DPWS	1
JC	State Mail Service	2
LD	Finance and Management Services Division, Head Office, DPWS	1
LC	Australian Wool Exchange Ltd	1
MC	Finance and Management Services Division, Head Office, DPWS	1
MM1	State Mail Service, DPWS	1
MM2	South Coast Regional Office of the DPWS, Wollongong	1
MS	Finance and Management Services Division, Head Office, DPWS	3
PK	Finance and Management Services Division, Head Office, DPWS	1
PG	Client Service Division, DPWS Head Office	1
SK	Finance and Management Services Division, Head Office, DPWS	1
WG	Operations Divisions, Head Office, DPWS	2
DK	Finance and Management Operations Division, Head Office, OPWS, Department of Commerce	2

Table I.
List of interviewees

in their “natural settings”, while the formal meetings allowed us to document the importance of accounting technologies, vocabularies, and agents in the reform process.

To supplement the above sources, a large number of official organisational documents relevant to this study were also collected. The documents collected included organisational transformation information embodied in official memos, annual reports, annual budgets and formal strategy documents. A content analysis was performed on these documents to identify the major themes that emerged from this source of data. This was then triangulated with the interview and observational data to provide a much clearer understanding of the transformation process at the DPWS. We use this data to help us address the key empirical questions that Levy’s (1986) and Laughlin’s (1991a) models identified within the context of the transformation process at the DPWS.

Public works in NSW: a brief historical review

The history of public works in New South Wales government dates back to the 19th century when the Public Works Department (PWD) was established as the sole government organ responsible for all public works within the state. The structure and functions of the PWD remained largely unchanged for almost a century until 1988 when the NSW government launched its public sector reform initiative, and the PWD became a candidate for reform. By 1995 the PWD was integrated with the Commercial Services Group, parts of Property Services Group, and the Information Technology Policy and Planning Unit of the Premier’s Department of the NSW government, to form the Department of Public Works and Services (DPWS). The DPWS offered a comprehensive range of advisory and management services, including design, documentation, contract administration, project management, strategic management and disposal of government property (assets) and heritage. Within the NSW public sector the DPWS became one of the largest and most complex organisations with several autonomous sub-units, comprising of a heterogeneous collection of functions. For example, the government services sub-unit covered a wide range of activities, including government printing, advertising and information, purchasing, period contracts, fleet management and mail service. As an off-budget governmental agency, it did not obtain funds from the Government other than allocations for specific projects and programs. The main source of income of the DPWS was fees charged to clients, from which it was also required to make a distribution to the Government. Between its establishment in 1995 and 2000 it posted an average annual turnover of approximately \$AUD1 billion.

The ongoing public sector reforms have made the DPWS a continuously evolving department in the NSW government with extensive structural changes occurring almost in a continuous fashion. These changes represent a compromise between the traditional departmental structure and a decentralised system of administration and have resulted in the creation of some divisions within the DPWS which enjoy full autonomy in financial and managerial matters. By virtue of its complex nature, the DPWS has a large number of stakeholders including the Minister in charge of the Department, clients, regulatory bodies, other government agencies, and banks, among others. While the initial instigator for these reform processes within the DPWS was the state Government, all these other stakeholders have continued to contribute to the

ongoing reform in the organisation (DPWS, Information Needs Analysis Report, 1997). As a senior manager from the Operations Division notes:

We have multiple stakeholders who have a diversity of expectations... The clients of the various subunits now have expectations that are totally different. They want to be treated like private sector customers who expect competitive delivery of services. Not just price but quality, reliability and so on... The banks also scrutinize our financial performance potential when they lend to us. This normally involves looking carefully at the objectives within the reform context and the extent to which we are capable of achieving those objectives... No, before the reforms, we did not deal with the banks that much... (CG, 29 September 1997).

The continuous evolution of the DPWS was once again reflected in its incorporation into the new Department of Commerce (in March 2003) whose functions now include those of the former Departments of Fair Trading, Industrial Relations, and the Office of Information and Communications Technology. After the mega Department of Commerce was formed, the DPWS continued its line of business “under the banner” of Office of Government Business. However, in early 2004, its name was once again changed to the Office of Public Works and Services (OPWS) which was granted autonomy to operate as an independent commercial wing of the Department of Commerce. In the same year, three business wings or subunits of the OPWS (i.e. the QStore, the State Mail Service and the Government Printing Service) were sold to private operators[3]. As a division of the Department of Commerce, the OPWS continues to provide services in the areas of; development and management of buildings and infrastructure, environmental solutions, business services, among others. These recent developments add to the complexities that were produced by the previous amalgamations in 1995. The senior manager from the Operations Division further noted:

Managing the DPWS is among the most challenging in the Australian public sector... The continuous changes in direction and values have made it an extremely complex organisation, not just the ever growing size. There is clear vision, but as you would expect the vision changes from time to time depending on the factors out there in the environment. In the government sector these factors are numerous and can never be fully predicted... (CG, 29 September 1997).

This continuously changing “direction and values” of the organization support the thesis that the reform process at the DPWS is non-linear and requires a combination of both Laughlin’s (1991a) model and Levy’s (1986) Cycle of Second-Order Change model for a comprehensive analysis. As argued in the next section, it appears that the “evolution” or “colonisation” stage, once achieved, is only a temporary situation at the DPWS because the persistent changes in the organization’s vision and mission, to reflect environmental changes, take it back to a “reorientation” stage almost instantaneously. Thus, in presenting our empirics we have recognised the possibility of the existence of multiple “reorientation”, “colonisation” and “evolution” stages at the DPWS, reflective of the continuously evolving nature of the organisation.

In terms of financial management prior to the reforms, the public works sector was not different from other governmental agencies. As a middle level manager from Finance and Management Services Division remarked:

... all the accounting was cash-based. You only accounted for cash receipts and payments and the budget was the key performance yardstick. There was no culture of customer or

customer service for that matter and we had no requirement to make any distributions to the government ... (PK, 5 June 1997).

Prior to the reforms, the annual budget was the primary tool in the PWD's financial management system. However, this tool had a largely short-term focus with long term organisational goals treated as aggregate of annual incremental goals. This did not always produced the intended results at the PWD and hence the government's dissatisfaction with its performance prior to the reforms. A senior manger from the Finance and Management Services Division noted:

The government was not happy with our performance for a number of reasons ... For example, before the reform started, although the budget was the key document for managing the DPWS no one ever paid attention to the accounting system and accountants did not have any importance in this organisation. Architects and engineers had their proper places and importance and pay scales. ... There was a category called "clerks" and they were the accountants. In fact, accounting's professional status appears not to have been recognised by this organisation at that time ... But now we have a position titled "business and finance manager" at the business units level which shows that the [perceived] importance of accounting has changed (MS, 5 May 1997).

The centrality of the budget in the management process at the PWD was a reflection of the emphasis of the State government on cash as a key element in the measure of efficiency in the various NSW governmental agencies. Thus, financial reporting, although a key element in the accountability of public sector agencies, was limited to disaggregated information on the disbursement of funds over the period supplemented by "a statement of funds or financial assets balances" as well as some non-financial disclosures regarding the effectiveness of projects and programs (Walker, 1990). The lack of specific financial management or accounting standards for the public sector in the period leading to the first amalgamations at the DPWS (i.e. the mid 1980s to early 1990s, see Shand, 1990; Walker, 1990), made diversity in financial reporting a major problem not just for the PWD, but most governmental agencies at all levels in Australia[4]. An executive from a business unit of the DPWS noted:

When we joined this organisation only very basic accounting records were kept. There were no guidelines or standards to follow and the files could be described as in a state of chaos. ... But to be fair the situation at the DPWS was not too different from other government sector organisations. Most people who were responsible for the accounting duties were non-accountants and had no standards to guide them. So that is what you can expect. ... As a matter of fact after DPWS became an off-budget organisation the economics of the whole organisation has now changed ... We are now looking at various ratios for performance measurement, which are similar to BHP [now BHP-Billiton Group] (MM1, 4 September 1997).

Since the mid 1980s, therefore, various efforts have been made to harmonise the accounting and reporting procedures of these organisations through the establishment of the Public Sector Accounting Standards Board in 1983 (Guthrie, 1990). In the next section we explore how the organisational and cultural changes that were produced by the reforms affected the financial management process at the PWD/DPWS. We attempt to periodise the change process (and the rationale) by drawing on the models presented by both Levy (1986) and Laughlin (1991a).

Organisational and cultural transformations (1983-1985)

Early signals of impending cultural transformation at the PWD were observable in late 1983 when the State government hinted at the need for radical changes to various agencies to improve both their performance and accountability. Grounds were prepared for extensive structural and organisational changes, including the corporatisation and privatisation of some State trading activities, the introduction of new financial management systems, major changes in governmental roles, and changes to public sector industrial relations practices. Within the context of such broader reforms, the Public Works Department (PWD) came under considerable pressure to introduce changes to its operational and financial management culture. As hinted earlier, one of the major changes was the amalgamation of the functions of the PWD with other departments to produce a mega-agency with entirely different cultural and operational expectations from the government. A senior manager from the Finance and Management Services Division recalled:

We all suspected that this was looming because there were leaks here and there. In my view there was sufficient warning about changes to happen. Some will disagree but they obviously were not paying attention or not reading signals well ... (MS, 10 March 1997).

The first wave of changes at the PWD occurred when the organisation embarked on a major restructuring of senior management in the various divisions. The first task for the new operational managers was to review the structure of the PWD to assess its effectiveness in preparation for the impending reforms. Following the recommendations of the review, the PWD was restructured into six divisions to allow more flexibility in its operations. The introduction of new accounting and financial management technologies was also an important consideration in these very early stages of the reform period and so was the timing of these changes, particularly the introduction of an accrual accounting system (Interview, MC, 16 July 1997). The government preferred to introduce these changes as quickly as possible, while the management of the PWD/DPWS argued for a rather steady process. As a middle level manager in the Finance and Management Services Division noted:

We knew the government wanted us to change to an accrual accounting system but they just wanted us to do it right away. We told them that it was not possible to just change overnight from cash to accrual accounting. It takes time to get the new system in place and train the staff to work with it (MC, 16 July 1997).

Tables II and III provide the chronology of operational and organisational changes in the PWD from the early 1980s to 2005. It can be observed from Table I, Table II, Table III and Table IV that there were a number of discursive conditions, discrete events, and a series of changes that constituted influencing factors for the reforms at the PWD. Following Laughlin (1991a) we argue that all the changes captured in Tables II and III can be analysed by tracing the processes, tracks or pathways to environmental disturbances in the organisation. These environmental disturbances, Laughlin (1991a) argues, can ultimately trigger alternative organisational "transitions" and "transformations". Table V provides a summary of the process of transformation of the PWD and DPWS from 1985 to 2005.

As the contents of the table indicate, the DPWS faced three major environmental disturbances. To handle such environmental disturbances, the DPWS experienced different pathways of change, which we argue, are consistent with Laughlin's (1991a)

Reporting years	Organisational and operational changes
1984-1985 1985-1986	Restructuring at the senior staff levels of the operational division The first stage of amalgamation of the Mechanical Services Workshops and Electrical Services Workshop was completed
1986-87	A major review of the structure of the Department was undertaken to equip the Department to meet the challenges after 1988 Restructuring of the Department into six divisions to provide more flexible organisation Decision to establish four metropolitan and five country regions. Transfer of design and construction functions from former Water Resources Commission The Department's Commercial Operations Division was formed Five country and four metropolitan regions were established Increased private sector participation in its activities Action undertaken to establish 'cost centres' throughout the Department Transfer of Government Motor Services to the Department of Administrative Services Management Information Team was established to review existing management information systems Planning for major changes in internal financial management started
1987-1988	
1988-1989	Comprehensive business plan for Public Works developed. The principal strategies in the plan are aimed at achieving the Department's major target of cost recovery from 1 July 1992. The Department's business centres came into operation. Divestment of non-core activities. Information and computing service was formed. Introduced new services for clients including product evaluation, life-cycle costing, risk and asset management. Continued the introduction of Commercial Management principles.
1989-1991	Identified four key areas critical its success which are, commercialisation, client service, innovation, and people management Concentrated efforts to introduce business, marketing and annual operating planning throughout the organisation Commissioned the development of an Information Technology Strategic Plan (ITSP) Accounting and Resource Management Systems (ARMS) Project Launched Revamped accounting systems and procedures Greater emphasis on commercial skills training of the staff Establishment of joint ventures with the private sector Introduced Senior Executive Service into Public Works Established Commercial Division with a more commercial focus than its predecessor Commercial Operations Divisions Progressed towards implementing a commercial fee structure and reduced reliance on direct recurrent funding Explicit statement on its "vision" and "corporate values" were introduced

Table II.
Organisational and operational changes in the PWD during mid and late eighties

Reporting years	Organisational and operational changes
1991-1992	<p>Endorsement of new charter by Cabinet Published Business Plan and set down specific targets to be achieved over a four year period Establishment of Client Advisory Board Staff number reduced from 3,676 to 3,276. New commercial (accrual) accounting system introduced Computerised information system in the Client Service Division introduced Implementation of quality assurance program started and corporate quality manual was published Phase 1, the major phase of the Accounting and Resource Management Systems (ARMS) completed The consolidation of its five city locations into the McKell Building – the present corporate headquarter started Commenced an integrated contract audit program</p>
1992-1993	<p>Became officially off-budget from 1 July 1992 Produced operating surplus for the first time in its 134 year history Recommendations of Building and Industry Royal Commission implemented Code of Practice and Code of Tendering were released The consolidation of city offices into one building was completed Full introduction of accrual accounting commenced Staff resources reduced from 3276 to 2506 Involvement with the Olympics 2000 project commenced Stage 1 of the Performance Management System 'Staff Performance Planning and Review' implemented for salaried staff below SES level Developed the Total Asset Management Manual</p>
1993-1994	<p>Continued implementation of the recommendations of the Building Industry Royal Commission Achieved a major enterprise agreement with its wages staff and unions Was appointed as Olympic Construction Authority Staff number were reduced from 2,506 to 2,191 Installation of an electronic mail service was completed Established a Corporate Register to record complains Full introduction of accrual accounting completed</p>
1994-1995	<p>The Department of Public Works and Services (DPWS) created The Olympic Construction Authority was moved to newly formed Olympic Co-ordination Authority Organisation restructured based on six divisions A strategic human resource plan was developed Staff number was reduced from 2,957 to 2,632 Performance management system for both Senior Executive Service and other staff became operative The revised Australian series of quality system standards ISO AS/NZS 9000:1994, have been adopted Quality Management Strategic Plan released Implementations of 'Best Practice' reform in various areas of the DPWS Infrastructure partnership with the private sector commenced</p>

(continued)

Table III.
Organisational and operational changes in the PWD (and in the DPWS) during early and mid-nineties

Reporting years	Organisational and operational changes
1995-1998	<p>Strategic Plan – Vision 2001 was launched</p> <p>A Best Practice Program was announced</p> <p>The Department’s salaried Enterprise Agreement was registered</p> <p>Memorandum of Understanding and Service Agreements were established with 11 major clients</p> <p>Five new environmental policies were developed</p> <p>An economic forecasting model for the Department was established</p> <p>A new code of practice for the Department became operational</p> <p>Developed an Internet policy and guidelines to help people access and search government sites</p> <p>The SES Performance Planning and Review System was improved</p> <p>Orientation program for staff was introduced to build a stronger understanding of the diversity of the Department and its role</p> <p>Marketing & Management by Projects (MMbP) launched</p> <p>A new corporate logo adopted</p>
1998-2000	<p>Introduced specialised Product Managers to manage DPWS’ principal product lines</p> <p>Information Management and Technology (IM&T) Blueprint was launched</p> <p>Indicators were developed to measure performance of DPWS</p> <p>Leadership development program for senior managers were implemented</p> <p>Appraisal process was implemented in the Operations and Commercial Business Divisions</p> <p>e-Commerce tools were designed and introduced in the DPWS</p>
2000-2002	<p>Developed an electronic tendering system</p> <p>Completed its third consecutive annual Customer Satisfaction survey</p> <p>A centralised Sales and Management Information (SAMI) was introduced</p> <p>Department’s numerous financial services consolidated to form a single group named as financial and accounting services</p> <p>“Corporate Turnaround” programs were introduced</p> <p>Communication management solutions (cmSolutions) was created through the merger of State Mail Service, Government Printing Service and legislative publishing arm of Government Information Services</p> <p>e-Marketplace was pre-launched</p> <p>New pricing model based on full cost recovery was finalised</p> <p>DPWS intranet was upgraded</p>
2002-2005	<p>The Department of Commerce was established as a result of an administrative restructure on 2 April 2003, amalgamating the following Departments:</p> <p>Department of Public Works and Service</p> <p>Department of Fair Trading</p> <p>Department of Industrial Relations</p> <p>Office of Information Technology, transferred from the Department of Information Technology and Management</p> <p>DPWS ceases to exist and became two commercial activities as Office of Government Businesses of the Department of Commerce. They are, Office of Government Businesses and Office of Government Procurement</p> <p>QStores, State Mail Service and Government Printing sold to private sector, December 2004</p> <p>DPWS resurfaces as the Office of Public Works under Department of Commerce in 2004</p>

Table III.

1. Public Works was originally scheduled by Treasury to introduce accrual accounting (AA) in 1993/1994
2. In view of the expected introduction of ARMS and the move to commercialisation it was proposed to Treasury that 1991/1992 would be a more appropriate year to introduce AA
3. Following the failure of the original ARMS pilot and the resulting contradiction with the Treasury (e.g. Department's budget status), Public Works wrote to the Treasury suggesting that accrual AA be introduced in 1992/1993.
4. Treasury responded that it would prefer staying with the 1991/1992 timetable
5. Following discussions at officer level with the Treasury and Auditor-General's Office, Public Works advised Treasury that it could prepare accrual accounts for 1991/1992 subject to the resolution of Department's budget status (i.e. inner or outer)
6. Treasury responded and advised that the issue of Public Works' status was not likely to be resolved in time to proceed with the AA project as it was connected with the Commercialisation Review. Treasury then accepted the implementation of AA in the year 1992/1993
7. DPWS continued with its AA accounting implementation project and was successful in preparing its accounts on an accrual basis manually in the year 1991/1992
8. Public Works' budget status was classified as non-budget or outer budget sector and allowed to prepare accounts as was done by the statutory authorities
9. Public Works implemented AA completely in the year 1992/93 (i.e. from 1st July, 1992).

Table IV.
Implementation of
accrual accounting in the
PWD

“reorientation” and “colonisation” models. Similar to Pollitt’s (1993) observation, we find that changes at the DPWS encompassed much more than the adoption of alternative management practices and procedures to face the public sector reform initiatives. Integral aspects of the reforms were changes in people’s attitudes, behaviour and values to create the appropriate cultural environment for achieving the new objectives. In the next section we discuss the pathways of change within the context of the DPWS.

First period of reorientation (1985-1990)

The environmental disturbances and subsequent proposal for change in the PWD started after the publication of the two Wilenski (1977, 1982) reports. However, the first major “kick/jolt” occurred in the 1987-1988 fiscal year when the PWD was required by the state government to plan for “cost recovery” of its activities and to implement commercial management principles (PWD, 1989, p.11). “Cost recovery”, at the DPWS, involved a two-stage process: determination of the cost of service provision and then passing this cost on to users of the organisation’s services. While senior management interviewed at the DPWS maintained that the introduction of “cost recovery” in the 1980s could be seen as a means to an end (i.e. the ultimate commercialisation of the organisation), it nonetheless created a significant level of anxiety among organisational participants (Interview MM2, 10 March 1998). As a senior manager from the South Coast regional office of the DPWS recalled:

I remember that when the call finally came everyone was a bit jittery about what the future held for us. We were now supposed to pursue cost recovery objectives . . . But one of the biggest problems was that we hardly knew what our cost was. What was the exact cost of a program? This was one of the reasons why people got really uptight about our future . . . I remember that I also felt a little uncertain at some point because of the high level of anxiety among the staff . . . (MM2, 10 March 1998).

As the disturbance could not be “rebutted”, the cost recovery requirement compelled management to seek changes to some aspects of the organisation’s “design archetype” and “interpretive scheme” (i.e. the less tangible elements necessary for an organisation’s smooth functioning). Indeed, these cost recovery requirements challenged the existing systems at the PWD as they were not adequately designed to provide information for such purpose. The immediate response of management was to form a management information system team to review the existing system and suggest any changes that may be required to meet the cost recovery objectives. The senior manager from the South Coast regional office of the DPWS continued:

We held a series of meetings to discuss the new direction of the organisation and how to tackle the challenges that were imminent. . .As a starting point we decided to review our current systems to ascertain how effectively they could cope with the new demands. Recommendations were made about changes that were needed to improve our systems for the new requirements. . .(MM2, 10 March 1998).

A new division responsible for commercial operations was established to facilitate the transition to commercialisation of some of the PWD’s operations. The PWD also restructured its divisions to identify particular “cost centres” and set specific targets for these units on an experimental basis. Another manager from the South Coast regional office of the DPWS observed:

It was absolutely necessary for us to set up some new departments and reclassify other departments because the terrain was rough and there was no way how we could operate like a commercial entity in such an environment . . . Yes, some people were not amused by the establishment of these new departments or the reclassification of their departments. . . As management it was our responsibility to get [the right] things in place for the reforms . . . (CD, 12 March 1998).

In terms of the accounting information requirement, the new customer culture that was introduced required management accounting technologies such as life cycle costing and risk and asset management systems which were implemented in 1989, as part of the Accounting Resource Management Systems (ARMS i.e. a reorientation), which provided a precursor for the new accrual accounting system (i.e. a second-order change) discussed in the next section.

While the introduction of “cost recovery” constituted an important directional change for the DPWS, management re-represented this initiative only as a prelude to mega changes looming at the organisation (Interviewee, MM2, 10 March 1998). Indeed, “cost recovery” was perceived as a necessary condition for the achievement of the ultimate commercialisation objective at the DPWS (see PWD, 1990, p. 13 and PWD, 1991, p. 25). This initiative did not significantly alter the way the DPWS conducted its operations and left the organisation’s “interpretive scheme” relatively unaffected, which leads us to argue that the change was consistent with a “reorientation” (first-order change) articulated by Laughlin (1991a). More importantly, the fundamental input oriented and budget-dependent nature of the PWD remained intact and in perfect balance with its public sector management practices. At this stage in the reform process, the PWD was still a typical governmental department depending on budget allocation from the government for its activities. Its operations and accountability to the stakeholders continued to focus on compliance with spending limits and minimal concern for output, efficiency, and effectiveness.

The period of colonisation (1990-1995)

The second environmental disturbance occurred in the 1990-1991 fiscal year when the PWD officially became an off-budget department, with a new "Charter" from the beginning of the 1992-1993 fiscal year. A major change in its design archetype occurred when the full scale "commercialisation" initiative was introduced in the same year. As management's (and indeed the government's) ultimate objective, commercialisation involved the re-specification of DPWS' operations in terms of quantitative performance measurement, financial representation of output, measurability of individual and organisational activity and a private sector "bottom-line" pre-occupation (PWD, 1991, p. 25). In an organisation that has operated in a bureaucratic fashion for decades, this move represented a more fundamental change in vision or mission and required major accompanying changes to the systems and processes that underlie the organisation's operations.

The immediate effect of the commercialisation drive was a change in PWD's design archetype, through the introduction of an accrual accounting system and further organisational restructuring. The accrual accounting initiative reflected a major shift in focus that had implications for power structures within the organization (Guthrie and Parker, 1997) and the replacement of vocabulary such as "deficit" with "losses" and the introduction of concepts such as "owners' equity" (Parker and Guthrie, 1993). Other major changes in this fiscal year included the reorganisation of the corporate headquarters and the various layers of its interpretive scheme (i.e. new vision, mission and value statements). We argue that this pathway of change is consistent with Laughlin's (1991a) "colonisation" – a second order change (see Table V). Levy (1986, p. 7) described this type of transformation as a "morphogenetic change which occurs when the model of organisation held in view is questioned, a new model emerges and new processes are instituted to achieve the new objectives entailed by the new model". We further argue that changes involving the commercialisation of public sector organisations in Australia, more generally, go beyond morphostatic changes (i.e. first order change) because they largely require more fundamental directional changes within these organisations.

Disturbances/jolts/kicks	Changes in the PWD and in the DPWS	Change pathways
First "Kick": Introduction of cost recovery and commercial management principles	Introduction of new accounting system, restructuring, introduction of business centres and others Period: 1985-1990	Reorientation
Second "Kick": Public works became officially off-budget sector and new charter for the PWD	Introduction of accrual accounting, further restructuring, establishment of new mission, vision and goal for Public Works and others Period: 1990-1995	Colonisation
Third "Kick": Creation of the DPWS and subsequently the Department of Commerce	Integration of Information Technology Unit, Commercial Services group and Property Services Group Period: 1995-2005	Reorientation and colonisation

Table V.
The process of change in
the PWD and in the
DPWS (1985-2005)

In the new commercialised environment, other government agencies are granted the choice to either use the services of the PWD or any of its private sector competitors. By changing its status to an off-budget entity, the government now expects the PWD to devise competitive means of achieving its objectives and staying viable. As a senior manager of the Finance and Management Services Division of the DPWS stated:

From the organisational perspective, we are facing competition everywhere. In fact, we do not have any tied client. Government is not bound to use us. There is no pressure from the top level, for example, from the Treasury, to ask other Governmental agencies to employ the PWD for various services (MS, 16 June 1997).

Following the commercialisation of its operations, the PWD finally implemented the much anticipated accrual accounting system to support its changing objectives. The presence of effective management information systems was a critical necessity in the new environment of the PWD. As a lower level employee of the Finance and Management Services Division noted:

Without a good system to help management in the routine planning and decision making, the government's expectation could not be realised. Our systems were not the right kind. You could not make any serious commercial decisions with these systems. I must admit, they were not designed for that purpose, to start with ... (DV, 16 July 1997).

So, new accounting technologies were perceived as necessary ingredients for an effective transformation of the PWD largely because of the conflict between the existing systems and the changing requirements or objectives of the organisation. However, it was a challenging task because the old bureaucratic procedures were completely entrenched in the organisation and some organisational participants, for various reasons, resisted the change process (Interview, MS, 16 June 1997). For example, the commercialisation of the PWD's operations made it absolutely necessary for a cultural shift towards more customer-oriented operations. Such a shift, in turn requires management systems that are similar to conventional private sector models which were perceived sceptically by some organisational participants (Interview, CG, 29 September 1997).

Second period of reorientation or another period of colonisation?: 1995-2003

The third major environmental disturbance occurred when the DPWS was created in April 1995 through the integration of the former PWD, the Property Services Group and the Units of Commercial Services of the NSW Government. While this change was extremely important in the history of public works in NSW, the commercial focus (i.e. mission or vision) and main elements such as the design archetype, sub-systems and interpretive scheme were basically unaffected. This raises the empirical question whether the changes occurring in this period could be categorised as another "re-orientation"? Indeed, this wave of change did not result in any major modifications to the norms, policies, and objectives that were established in the previous environmental disturbance. However, while the two previous jolts did not produce any major cultural fragmentation, the third environmental disturbance had the potential to create such a friction because the DPWS had inherited three distinct organisational cultures. As a senior manager from the Operations Division remarked:

Because you have got people here in the DPWS from the Public Works, you have got people who came from the Information Technology Unit, people who came from the Commercial Services Group, people who came from the Property Services Group. These people not only have different cultures but some of them are less interested in a commercial environment (CG, 29 September 1997).

This cultural reorientation produced a clash between virtually two distinct worlds: the world of business efficiency and the world of bureaucracy, raising the issue whether this disturbance could rather be categorized as a period of “colonisation”. A senior manager from the Finance and Management Services Division commented:

There is a dramatic change concerning employee attitude on accountability, performance, etc. Before we moved to off-budget, we were only concerned with spending. Our budgets were on a line item basis and we were directed towards spending the budget allocation. Otherwise, we knew that we would lose appropriation from the government in the next budget. That sort of culture we had earlier. Now we have a more commercial focus, a more business focus ... (CJ, 28 August 1997).

From our analyses, we observed the existence of cultural differences between various responsibility centres and business units of the four government organisations that were amalgamated to form the DPWS. For example, we found that the various responsibility centres and business units struggled and differed significantly in their explanations of “profitability”, “customer service”, “survival”, and “social obligation”, despite the fact that these concepts were critical to the functioning of the new amalgamated organisation. At another level, significant cultural differences also existed between the organisations themselves and the actors within the various business units as they struggled to disband and integrate simultaneously. Loyalties were divided, particularly in the early days of the integration, with completely different interpretations emerging from senior members of the amalgamated departments. For example, a manager from the Operations Division argued:

I personally think that – this is really a personal view and it has nothing to do with the DPWS or the government – there is no point to one government department charging another government department at a rate [that would] generate profits. The money that the other agencies are paying to us originated from the government. So, what we are really doing is circulating the money ... So, why add a profit component ...? (WG, 19 September 1997).

A major implication of this intra-organisational cultural fragmentation is the reduced level of intra-organisational communication. For example, in a staff survey conducted in 1996, the employees were asked to reflect on the following statement; “my area has clear communication with other areas of the Department, both in and outside my division, wherever needed”. Out of the total responses received, only 32 percent of the respondents agreed with the statement and 34 percent disagreed (DPWS, 1997a, *Horizons*). Actors in different business units of the DPWS are also caught up with cross-divisional activities for which many of them have no interest. For example, many actors of a business unit (the State Mail Service) of the DPWS raised this issue by suggesting that they were now spending a considerable amount of time to fulfil the various information needs of the head office for which they have no interest at all – time which, they argue, could have been used to improve their own “organisation” had there been no attachment with the DPWS.

Another by-product of the structural reform at the DPWS is the integration problem of its accounting system. After the creation of the DPWS there were three different accounting systems in existence within the organisation. Separate systems were implemented for the DPWS itself and two of its subunits (i.e. the State Mail Service and Government Printing Service). Organisational participants observe that this was necessary because of the different nature of the operations of these subunits (Interview DK, 25 November 2005). They also suggest that the differences between these systems never hampered the quality of accounting information, except that the time consuming nature of the manual consolidation process often resulted in many internal accounting reports losing their timeliness.

To meet the new challenges, creative involvement by the staff is now highly encouraged with managers serving as coaches and facilitators. This new approach to managing the organisation has resulted in the replacement of bureaucratic and hierarchical structures with a flexible organisational structure where continuous improvement has become a major focus of the organisation. It is also worth mentioning that while there are now managers and professionals in the DPWS who have given up the bureaucratic mentality, this hardly happened overnight. Major challenges involving resistance to change occurred and led to some significant resignations at the DPWS. As a senior manager from the Finance and Management Services Division noted:

Some people who could not cope with the reforms resigned and left. They had various reasons for leaving but the bottom line was that they could not take the changes that we were going through ... To them the future of the DPWS was not clear... (CJ, 28 August 1997).

Some organisational participants interpreted the new organisational management control systems as too restricting and a means of exercising surveillance over employees. These negative connotations of the systems of control were major sources of anxiety and made some organisational actors unwilling to adopt or welcome the reforms.

Despite the significant level of anxiety and initial resistance, a NSW Government assessment of the PWD and DPWS documents major achievements of the organisation post reforms. For example, the NSW Government statistics observe that relative to its "inner budget sector" days, the DPWS has achieved marked improvements in commercial performance (NSW Government, 1995). The NSW Government statistics department noted that from 1988 to 1994 real operating costs of the PWD were down by 40 per cent, efficiency was up by 47 per cent in real terms, and 99 per cent of major projects were completed within budget and on time. Senior management attribute these improvements to the changed attitudes, behaviour and culture of the organisation. These views are contrary to Gregory's (1997) survey, which showed a marked decline in task commitment of civil servants during reform, our interviews with senior management and staff provided evidence that overall task commitment increased at the DPWS. On the other hand, the views expressed by senior management are consistent with Jacobs' (1998) observation that where the reforms and/or systems that are introduced to anchor reforms are clearly communicated in ways that are easy for organisational participants to visualise or understand, resistance to change can be significantly reduced. Indeed, the respondents generally believe that the DPWS is now

a different governmental agency than its predecessor, with a focus on customer service as well as operational efficiency.

We conclude this section with the contention that, consistent with both Levy (1986) and Laughlin (1991a), this period (1995-2003) involved elements that could be considered second-order changes, such as the cultural transformation and the merger of the various subunits, but it also did not produce significant changes to the interpretive schemes or design archetype (see Figure 3). For example, there was neither a change in the commercialisation objective nor the accrual accounting system which was introduced to support the commercialisation initiative. This observation empirically supports the view that “organisational change studies can no longer be context-free. . .but must explore the processual dynamic of these changes” (Laughlin, 1991a, p. 209). It further illustrates the limitations of theoretical organisational change models within empirical settings – limitations which both Laughlin and Levy acknowledge.

More recent changes: 2003-2005

During this period the DPWS became part of the newly formed Department of Commerce in 2003 and three of its subunits were sold the following year. With a name change to Office of Public Works and Services (OPWS) in 2004, it continued to function as an independent office within the Department. The autonomy enjoyed by the OPWS has allowed it to retain its culture (that was started during the 1995 reforms) which somewhat differs from other units of the new Department of Commerce. A senior manager from the Finance and Management Operations Division noted:

The OPWS is still an independent office within the Department of Commerce. But we share some services such as human resources and record management. Even we have two state ministers . . . Yes, we have different cultures among these offices of the Department of Commerce. For example, the OFT [Office of Fair Trading] and OIR [Office of Industrial

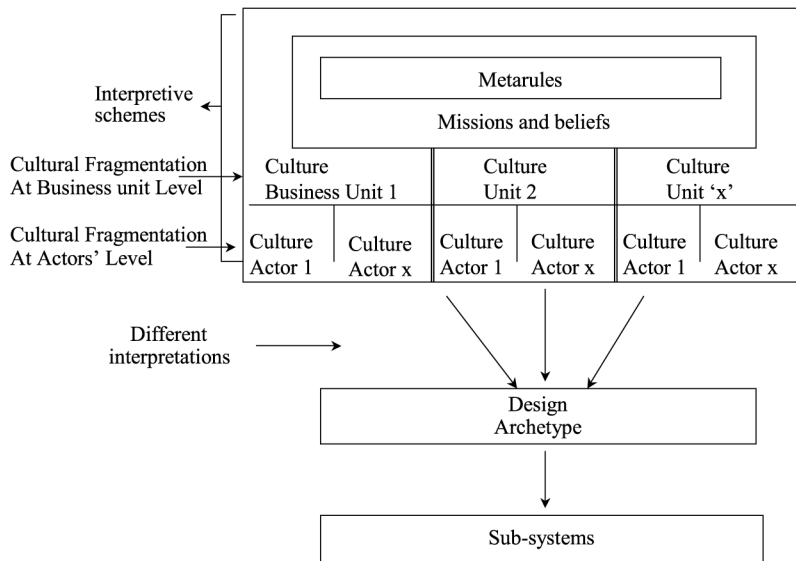


Figure 3.
Two-tier fragmentations
at the cultural level of the
interpretive schemes of the
DPWS

Relations] are cost-centres, whereas OPWS is a business unit. All the three offices are headed by their own Deputy Director General and there are separate KPIs for each of these Deputy DGs to evaluate performance . . . (DK, 25 November 2005).

The shared-services of these offices have created the usual common cost allocation problems which the Department of Commerce is currently working on. As the same executive observed:

Allocation of common services cost to these offices is an issue and we are working on developing a department-wide formula to allocate common service costs such as human resources, legal costs and finance. At this moment we use different formulas for different types of common costs. But in most cases the allocation is done on the basis of head count in each office, which I know is not a very efficient way always . . . Sometimes common costs are allocated on a negotiated basis. . . (DK, 25 November 2005).

In terms of the range of services that the OPWS provides, we find that this does not differ significantly from what the DPWS provided in 2000. The only expansion was in the area of bidding for and winning out-of-state contracts in Victoria and New Zealand. After the amalgamation, the OPWS remained an off-budget office although the other offices of the Department of Commerce (i.e. OIR and OFT) get government budget allocations and do not necessarily have to worry about full cost recovery or user pays. As a respondent observed:

When the two offices amalgamated with the former DPWS to form a mega government department – that is the Department of Commerce, there were mixed feelings among the DPWS staff. We really couldn't understand why these offices with different operational philosophies were merged. The DPWS staff were sceptical about the future of the DPWS, especially when the name of the DPWS disappeared from the organisation structure in early 2004. Although we were doing the same business and dealing with the same clients, the feeling of ownership by the DPWS staff almost disappeared . . . (DK, 25 November 2005).

In the next section we discuss how the new accounting and financial management technologies which were introduced to facilitate the reforms process clashed with old bureaucratic procedures and how management responded to the situation.

New accounting technologies versus old bureaucratic procedures

The new commercial accounting technologies implemented at the DPWS performed both technical and symbolic/non-instrumental roles (Morgan, 1988; Chua, 1988; Mouritsen, 1996)[5]. As elaborated earlier, the organisational and operational changes at the DPWS not only involved the redesigning of its administration, resource management, and allocation mechanisms, but also created significant cultural and operational challenges for its accountants and accounting functions. The commercialisation requirements created a new environment which rendered the old bureaucratic procedures inadequate and stale. Several new accounting technologies, hitherto operative in the private sector, were therefore introduced to provide the necessary information for managerial decision making within the new regime (see Tables III and IV). As an executive from a business unit of the DPWS observed:

The finance and accounting function became more important than ever before. New systems were introduced because we needed something which was meaningful to the people in the context of the reform. Before we became an off-budget organisation we had a line item

budgeting system and in reality productivity and performance were hardly measured . . . The reforms have made all these problems more visible to everyone (MMI, 4 September 1997).

The above quote suggests that accounting systems were in part introduced to serve symbolic functions (see Covaleski and Dirsmith, 1988). These new systems served a purpose of signalling to staff members that a new regime had started and major changes in operations were eminent.

Other motivations for the new systems were the need to introduce technical efficiency through systems of control. In particular, the most fundamental change in the DPWS' accounting system was the introduction of accrual accounting in 1991 (Table IV shows a chronology of the introduction of accrual accounting in the organisation). Since 1992 the entire management cycle (planning, short-term budgeting, implementation, performance monitoring and reporting) of the DPWS has been based on accrual accounting principles. In addition to the introduction of accrual accounting, other commercial accounting technologies introduced to anchor the reform process include:

- Budgeting and Planning systems (e.g., annual revenue and expenditure budget, capital expenditure budget, budgeted balance sheet and cash flow statement).
- Internal Management Reporting systems (e.g., revenue and expenditure statements, balance sheet, working capital items statements, overhead analysis and appropriate performance indicators).
- Asset Register and Valuation, Internal Audit, Annual External Reporting, Investment Portfolio Management and Financial Performance Indicators.

A senior manager from the Client Services Division of the DPWS attempts to justify these changes as follows:

The commercialisation process could not be successful without changes to the financial and accounting systems to align them with our new mission. Cash-based accounting systems that are widely used in the public sector are simply not adequate for the new organisation that was to be formed . . . In fact, the new systems that were required could not be handled by our existing staff. It meant that we had to recruit new finance and accounting staff . . . (PG, 30 June 1997).

Table VI presents a comparative picture of the DPWS's "financial cycle" between pre-1988 and post-1988. Important aspects of the financial management reform are the detailed annual reports that are now prepared for the diverse stakeholders and the efficiency audits now performed on these reports.

Although the reform process at the DPWS started in 1988 and involved episodic disturbances, the introduction of new accounting technologies appeared to be a continuous process. As the various phases of the reform were undertaken, the accounting systems were critically reviewed to ensure that they were capable of providing the necessary tools for achieving the shifting objectives of the organisation. Almost invariably, the results of the review exercise suggested the need to abandon traditional bureaucratic procedures such as line item budgeting for performance and program budgeting. The experience of the DPWS was consistent with the results of a survey of other public sector organisations undergoing similar reforms in Australia. For example, Ernst & Young's, 1995 national survey on the status of implementation of accrual accounting in Australia found that agencies were applying accrual information

Table VI.
Pre-1988 and post-1988
financial cycles of the
DPWS

Financial cycle	Pre-1988	Post-1988
Estimates and budgeting	Preparation of annual budget based on line items	Budgets based on performance and programme objectives
Financial management	Cash and fund accounting; input orientation	Accrual accounting, "true costs" and "user charges"
Performance measurement	Appropriated receipt versus expenditure	Performance indicators; performance against goals and objectives
Accountability and annual reports	Financial reports to treasury	Detailed annual reports and disclosure; accrual financial statements
Review and auditing	Regularity	Efficiency and performance

to resource decision-making in only a limited way. Such was the case because of the clash between the new commercially-oriented accounting technologies and the old established bureaucratic procedures which were almost internalised by organisational participants.

Another important symbolic role of the new accounting technologies was the creation of "economic visibility", which further highlighted the inefficiencies of the prior systems of financial management at the DPWS (see also Nahapiet, 1988; Hopwood, 1987; 1990). The emphasis of the new technologies on continuous improvement led to the implementation of a Best Practice (BP) Programme at the DPWS[6]. Central to this programme was the extensive use of costing techniques, revenue, human resource management, and strategic cost analyses in various project management decisions. A senior manager from the Finance and Management Services Division observed:

The new systems have made everyone aware of cost and the need for effective cost management . . . Before the reform it was only the finance guys, basically clerks, who were responsible for these things. No one cared about these things. Now they are the main issues here . . . Now we have a strong finance section always updating us on performance and the need for financial efficiency. . . (MS, 16 June 1997).

Along with the introduction of the new accounting systems, various programmes and projects were also introduced into the DPWS including a total quality management (TQM) programme, the system of marketing and management by projects (MMbP)[7], and performing strengths, weaknesses, opportunities and threats (SWOT) analysis. For example, new accounting technologies at the DPWS contributed towards developing and implementing a quality plan using benchmarking techniques, which in turn allowed a forward-looking process, focusing on customer satisfaction, continuous improvements, and strategic analysis.

In order to monitor the organisation's information needs, as part of the strategic analysis process, an "Accounting System Project" was launched in 1996 (DPWS, 1996, *Accounting Systems Project Preliminary Information Requirements*). This project also sought to assist the DPWS with environmental scanning and other strategic purposes bringing it in line with conventional business practices. The symbolic role of these new technologies could not be overemphasized because they constituted the core of the

emerging business culture and the beginning of a new era in the organisation's history. The creation of the 'Business and Resource Manager' position in the various responsibility centres and regular 'Finance Committee' meetings further added to this symbolic change in the organisation. These strategies intended to weed out any remaining pockets of resistance as the traditional bureaucratic procedures faced their demise in the organisation (Interview, CD, 12 March 1998). A manager from the South Coast regional office noted:

New roles and positions were created to focus on key areas of our operations. This was necessary to bring everyone on board. Those who were still in doubt quickly realised that the reforms were here to stay... (CD, 12 March 1998).

In fact we observed at the executive meetings that the finance function which had hitherto been handled by "clerks" had now assumed major importance in the management process at the DPWS. We further observed that the finance manager occupied a central role at the meetings with the majority of questions directed at him and his deputy. As a manager from the Finance and Management Services Division noted:

... advising the DG and minister on how the organisation is going is the main responsibility of our department. So, in that respect the financial information is the mainstay of our organisation. As an off-budget agency we need to know or have a firm understanding of our cost and revenue structures to guide decision making within the organisation... (MS, 16 June 1997).

Furthermore, the new accounting technologies at the DPWS attempted to connect the public sector reform objectives with the feelings and beliefs of organisational actors. This was achieved through the redesign of performance measures to emphasise the new financial and operational objectives of the organisation. Table VII illustrates how a business report prepared by the DPWS's Finance Department reflects the shift towards a more business-oriented culture resulting from the reforms. The first report of this kind was introduced in March 1995 and has become an integral part of the reporting process at the new Department of Commerce. Prior to 1995, these summary reports were not produced and senior management maintained that such reports were offshoots of the accrual accounting system that was introduced to facilitate the commercialisation of the DPWS (Interview CJ, 28 August 1997).

One area where the clash between old bureaucratic procedures and the new technologies was more pronounced was ensuring the achievement of the social

Performance area	Status
Overall financial health	Sound
Profit against budget	Above target
Performance against SFP targets	Above target
Profitability	Sound
Liquidity	Sound
Debt repayment and servicing capacity	Sound
Debt level	Nil
Capital expenditure program	Below target
Risk analysis	No exception

Table VII.
The Department of Public
Works and Services
financial report for the
December quarter
1996-1997 status and
trend summary

obligations of the DPWS. Although the commercialisation initiative required the DPWS to operate much like a private sector entity in some of its undertakings, there were still major social obligations that meant that profit maximization objectives could not be pursued more fully. Indeed, organisational participants readily acknowledged that profit maximisation is not the central or only goal of the DPWS. The Director-General in a monthly newsletter noted:

One of the issues often raised with me in management meetings, or at some of the many workshops over the last few months, is the tension between being client focused and operating commercially. Are we here to provide services to clients or make money to pay dividend to the Government? It is a reasonable question and there is some tension between achieving these two objectives. The answer is we have to do well at both. It is not the question of achieving one objective at the expense of the other, but rather a question of striking the right balance (Persson, 1997).

Balancing these sometimes conflicting objectives requires accounting technologies that appreciate both social and financial aspects of an organisation's operations. However, the new technologies implemented at the DPWS did not quite achieved this balance prior to the sale of the three subunits, hence the need to retain some of the old more socially oriented bureaucratic procedures that are sometimes in conflict with the new technologies. Since the formation of the Department of Commerce and the subsequent sale of the three subunits of the DPWS, organisational participants believe that this balance has largely been achieved (Interviewee DK). Interview respondents further observe that the technologies introduced to anchor the reform process appear to have reached a "maturity stage", as organizational members have accepted them as part of their routine systems (Interviewee CD).

Since the DPWS maintained separate systems for the three subunits that were subsequently sold in 2004, the accounting systems were not particularly affected, except to the extent that the conflict between bureaucratic procedures and the new technologies significantly dwindled, as noted earlier. As of November 2005, respondents observe that there were now two accounting systems for the entire Department of Commerce. As a senior manager from the Department of Commerce noted:

We now have two different accounting and reporting systems across the department. The accounting and reporting system of the OPWS and another accounting and reporting system for the OIR and the OFT. As a result MIS reporting for the whole organisation is [currently] done manually. We are in the process of introducing an organisation-wide reporting system ... (DK, 25 November 2005).

Clearly, as the OPWS continues to evolve it appears the systems of accounting and financial reporting would also continue to evolve alongside.

Summary insights and conclusions

Since the early 1980s public sector reforms have become a global phenomenon which has attracted significant interest among academics of various disciplines. While some organisations had reforms that could be described as one-off, others, such as the one studied in this paper, have become continuously evolving organisations as a result of the reforms. We observe that the transformation of the DPWS which started in 1988 is an ongoing process that makes a very interesting case for academic endeavour. Since

the late 1980s the organisation has transformed itself from a budget-dependant bureaucratic governmental agency to a business-oriented commercialised agency operating in a competitive environment. To make sense of this transformation process, we draw on organisational change models elaborated by Levy (1986) and Laughlin (1991a), among others, to argue that these changes are consistent with “first-order” and “second-order” changes. However, we further argue that the changes occur in a non-linear fashion as objectives continue to shift over time.

While the major organisational and cultural changes at the PWD from 1990 -1995 were consistent with a “second-order” change (i.e. colonisation), the subsequent creation of the DPWS through an integration of the PWD with other existing governmental agencies had elements of both reorientation and colonisation. The latter change did not involve a fundamental shift in the interpretive scheme of the organisation and produced minor changes to the design archetype and sub-systems. Yet, the period also witnessed a significant cultural transformation that could be viewed as a “colonisation”. Within this change process we argue that accounting technologies played both technical and symbolic/non-instrumental facilitating roles. However, the need to balance the organisation’s multiple and sometimes conflicting objectives have led to a clash between the new accounting technologies and old bureaucratic procedures as the organisation struggles for a new identity. The result has been a cultural fragmentation at both the subunit level and the actors’ level. This has generated a great deal of confusion regarding the definitions and interpretation of key concepts (such as “profitability”) that are integral aspects of the new objectives of the organisation.

Our study extends and challenges aspects of both the public sector accounting and organisational change literatures in various ways. First, we contribute to the organisational change literature not only by providing the much-needed “empirical flesh” for the models espoused by Laughlin (1991a) and Levy (1986), but also by illustrating that the elements discussed in these models are likely to recur, particularly when an organisation undergoes a long period of reforms such as the DPWS did. The latter is of major importance because it gives empirical support to Laughlin’s (1991a) argument that defining or locating the stage that an organisation has currently reached in its reforms process would sometimes be problematic because the change process may not always be linear. Within the same literature, an examination of the reform process at the DPWS also allows us to observe that definition of “first-order” and “second-order” changes are not particularly water-tight in an organisation that is involved in a long period of reform. When a “second-order” change is pursued, other “first-order” changes appear to be occurring in a simultaneous fashion, hence producing a continuously evolving scenario.

Our study of the DPWS also provides additional empirical evidence supporting Jacob’s (1998) view that systems of accounting and accountability that are introduced to anchor reforms would meet minimal resistance if the entire reform process is well-communicated and accepted by organisational participants. Since the sale of the three subunits of the DPWS in 2004, the accounting systems in the organisation appear to have reached a “maturity stage” with very minimal resistance occurring in the last couple of years. Clearly, the initial clashes or tension between the displaced bureaucratic procedures and the new systems of financial management have subsided and this has enabled the new commercial-orientation of the organisation to produce

preliminary (yet impressive) results (see Mir and Rahaman, 2003a, 2003b). Indeed, while there have always been private sector interests in some of the activities of the DPWS, it was almost impossible to expect any takeover bids from the private sector prior to the reforms. The “success story” (Mir and Rahaman, 2003a) reported at the DPWS challenges survey results which show low task commitment among civil servants working in agencies undergoing significant organisational and cultural reforms (see for example Gregory, 1997).

We conclude with the observation that the introduction of “new” accounting and strategic management oriented systems or technologies, consistent with the commercialisation initiative, met some initial resistance largely because these new systems conflicted with the organisation’s remaining social obligations, creating the type of crises reported by Puxty (1997) and Lawrence (1999). However, the bureaucratic procedures which focused more on such social obligations to the virtual exclusion of the new commercial objectives of the organisation have now been displaced over the long reform process, in part, because of the sale of some subunits of the organisation. This has clearly reduced or eliminated the significant tension that existed between the two set of systems during the initial years of reform at the DPWS. Indeed, managing the organisation’s affairs today appears less challenging than when the reforms started in 1988, although management are still unable to predict the next direction that the organisation would be heading in its continuous evolution.

Notes

1. The study further contributes to the literature by responding to Laughlin’s (1991a, p. 210) call for empirical flesh for his model of organizational change.
2. Although the researcher kept a logbook on these visits there were some days when the discussions were not about work and the reforms.
3. Through the reforms, these subunits became targets for take-over bids because of the improved performance (see Mir and Rahaman, 2003a for a case study of the State Mail Service). Interviews with organizational participants suggest that the rationale behind the sale was purely opportunistic because the NSW Government realized that these subunits could be sold at very attractive prices.
4. However, it is instructive to note that even where there are specific accounting standards, there is still a possibility of diversity of interpretations (see Dent, 1991, p. 707).
5. See Preston *et al.*, 1992, p. 563, for a definition of accounting technologies.
6. This programme continuously seeks to find the best way of doing things as well as recognising and rewarding great ideas.
7. In the abbreviated form of the “marketing and management by project”, the letter “B” is shown as a lower case in all the DPWS documents.

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