Public sector budgeting in European accounting and public management journals: Missing in action? A review

by

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1. Introduction

Budgets play a central role in public organizations. In a narrow sense, the budget is the tool through which governments decide how much to spend on what, limiting expenditures to the revenues available and preventing overspending. In a broader sense, as emphasised by many authors (e.g. Hyde 2001; Rubin 2010), the budget is a complex and eclectic tool, which has been studied from different perspectives (political, economic, managerial), each focusing on a particular facet or function of public budgeting.

The political perspective has traditionally been predominant, following the seminal work by Wildavsky (1964), who demonstrated the attractions of incremental budgeting to policy makers. In this perspective, the budget is an expression of public policy and political preferences. Political scientists have thus emphasized the political dimension of the resource allocation process among multiple, competing interests. In their view, budget decisions are an important political arena used by internal and external stakeholders to strengthen their power. Internally, politicians and managers struggle with one another to pursue the achievement of their particular goals; the amount of resources devoted to such goals thus becomes a performance indicator of political and managerial action (Niskanen 1971). Externally, stakeholders reinforce the political nature of budgeting by organizing into interest groups in order to affect the allocation of resources; this, by the way, raises the question of whether the budgeting process is sufficiently democratic, considering that often only the most powerful interest groups have the power to affect budget decisions. The relevance and the specific features of budgeting's political dimension vary across organizations and over time according to such determinants as revenue trends, degrees of expenditure rigidity, composition of revenues and expenditures.

The economic perspective has become increasingly important with the expansion of the public sector and of the government's responsibilities in "managing" the economy. In this perspective, the budget is an instrument of fiscal policy, aimed at achieving macroeconomic objectives. Economists analyse how public budgets are used to decide, implement, and communicate macroeconomic policies. In their view, the budget is primarily a tool for affecting income distribution, stimulating economic growth, promoting employment, tackling inflation, encouraging economic stability. Macroeconomic goals that can be pursued through public budgeting have been classified in three main types: allocative, redistributive, and of stabilization (Musgrave and Musgrave 1989).

The managerial perspective, finally, has gained importance following the processes of modernization that have affected the public sector in the last few decades (New Public Management - NPM), promoting the adoption of managerial and market-based tools and mechanisms by public
sector organizations in order to make them more efficient and performance driven (Ferlie et al. 1996). A fundamental component of this reform wave has been the innovation in financial and accounting techniques and in the tools used to support day-by-day management (Hood 1991, 1995; Hogheim et al. 1998; Lapsley 1999). Within this context, the budget has also been reformed, placing an emphasis on its role as a key accounting and managerial / administrative document at the organizational level. In the managerial perspective, the budget is a tool that supports organizational action by limiting government spending by nature, purpose, and/or responsibility centre; allocating decision-making powers and responsibilities within the organisation; specifying how public services have to be provided; identifying the criteria by which service provision is monitored, measured, and evaluated; aligning individual and organisational goals. As a consequence, increased attention is paid to such elements as the alternative budget formats, the types of information presented in the budget, the characteristics of the management control system.

In the last few years, the need to improve and redesign budgeting systems has further increased. The roles and features of budgets are becoming the object of new definitions, interpretations, and purposes. The expanding weight of entitlements, the demands of supra- and international institutions, and the recent fiscal and economic crises have put enormous pressures on cutting back expenditures, ensuring balanced budgets, and reducing the amount of accumulated public debt. At the same time, public entities are expected to meet an increasingly sophisticated and heterogeneous demand for services and to play a role in economic recovery and growth. As a consequence, reaching a consensus on specific resource allocation decisions becomes more and more complex, which translates into fragmented and continuous bargaining. New solutions are thus needed to improve decision making and, ultimately, public sector performance.

To this end, a useful starting point is to review the approaches and methods through which public budgeting has so far been tackled in the literature. Such is the purpose of this paper. More specifically, the paper focuses on European academic journals that devote specific attention to public-sector accounting and management issues. Section 2 describes the review's methodology and Section 3 presents its results. Section 4, finally, draws some conclusions.

2. Methods

To pursue our purpose, we selected three European public management (PM) journals – Public Management Review (PMR), International Journal of Public Sector Management (IJPSM), and Public Money and Management (PMM). We also selected four European accounting (AC) journals that focus mainly (Financial Accountability and Management, FAM) or significantly (Accounting, Organizations and Society, AOS; European Accounting Review, EAR; and Management Accounting Research, MAR) on public sector accounting. The analysis was limited to academic
journals because papers that have undergone peer review are more likely to meet the basic requirements of theoretical and methodological rigour (Boyne 2003). This criterion excludes studies published by government agencies and international organisations such as the Organisation for Economic Cooperation and Development (OECD) and the World Bank.

Subsequently, we collected the papers on public budgeting that were published in all the issues of the selected journals. We first browsed the titles and abstracts to identify the relevant papers and then cross-checked the resulting list using the keywords “budget” and “budgeting”, matched with “public”. The resulting list contained 87 papers, which were later reduced to 79 by excluding (i) editorials, (ii) papers that focused on budgeting in private-sector, defence-sector, or religious institutions, and (iii) papers that did not in fact focus on budgeting. Table 1 shows the number of papers from each journal.

To classify the papers, we interactively developed a coding scheme. To this end, we began by individually reading the papers and suggesting a possible classification. The various classification proposals were discussed in order to converge on a common coding scheme of analysis, which was tested on a sample of papers and further refined to reach a final version. We then split into two groups, each of which read and coded all the papers in order to ensure reliability. Finally, we compared the work of the two groups in order to identify, analyse and resolve all the remaining differences. The final coding scheme includes the following dimensions:

- **Geographic area**, referring to the context where the paper’s analysis was performed. In this respect, we classified the papers by continent (Africa, Asia, Europe, North America, South America, Oceania), with a further break down for Europe.

- **Level of government**, also referring to the context where the paper’s analysis was performed. In this respect, we distinguished among supra / international, national, and subnational governments.

- **Research method**. In this regard, we distinguished between theoretical research (commentaries, normative papers, and literature reviews) and empirical research, with the latter further classified as qualitative (analysis of issues, events, or practices by collecting non-standardized data and analysing text and images rather than number and statistics) or quantitative (analysis of frequencies and distributions of issues, events, or practices by collecting standardized data and using number and statistics) (Flick 2009).

- **Theory of reference**. In this regard, we classified the 79 papers according to whether (i) their main theoretical basis is NPM, (ii) they rely on other theories, or (iii) they have no explicit or clearly discernible theoretical framework.

Table 1 summarises the selected papers’ distribution along these four dimensions.
• In terms of geographic area, the great majority of papers (49) refer to European experiences and cases. Oceania is also significantly represented (11), while North America accounts for only 9 papers. Asia (with Malaysian and Japanese experiences) and Africa (the Uganda case) are largely underrepresented; South America is completely absent. Out of the 49 European studies, half focus on the UK or Ireland, and 12 on Scandinavian countries. The others refer to Germany, the Netherlands, Italy, Spain and Portugal. There is thus a clear dominance of the Anglo-Saxon tradition. This is consistent both with the general predominance of Anglo-Saxon authors in international management and accounting journals and with the role of these countries as pioneers and leaders in the processes of public sector modernization.

• In terms of levels of government, the majority of studies focus on the sub-national (37) and national levels (27). Very few (3) deal with supra or international organisations. A relatively large number (12), finally, fall into a residual category ("Other") as they offer comparisons among different levels of government, focus on policy areas (e.g. education, health) that cut across different levels of government, or refer to public sector organizations in general terms.

• From a methodological viewpoint, the large majority of papers (73) adopt an empirical perspective, with a clear prevalence of qualitative methods (58). Only AOS (5 out of 15), FAM (9 out of 37) and IJPSM (1 out of 7) have published quantitative papers. Normative / theoretical papers, finally, are rare (6 out of 79).

• In terms of theoretical framework, finally, 35 of the 79 papers were classified as being rooted in the NPM framework. Another 31 rely on other theoretical bases such as contingency theory or institutionalism. The remaining 13 apparently lack a strong and clear reference to theory or are merely descriptive.
### Table 1: A classification of the 79 papers under analysis

<table>
<thead>
<tr>
<th>Geographic area</th>
<th>MAR</th>
<th>AOS</th>
<th>EAR</th>
<th>FAM</th>
<th>IJPSM</th>
<th>PMM</th>
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1 This group contains one cross-country comparison and two papers on European Union institution.
3. Results

The literature on budgeting has been significantly shaped by the advent of NPM. As mentioned in Section 2, NPM-inspired papers account for almost half of all the papers we analysed. After 1995, NPM-inspired papers systematically exceeded those based on “other theories of reference” (see Figure 1).

Figure 1 - Number of papers by period and theory of reference

NPM is a label that indicates a set of practices aimed at innovating the traditional model of public administration by relying heavily on private-sector concepts and techniques (Hood 1991, 1995).
Empirical NPM-inspired papers are often qualitative (30 out of 35) and, in some cases, merely descriptive. They generally present the implementation of budget innovations in a specific country, level of government, or policy area. Most were published in PMM and FAM; none in AOS or EAR (see Figure 2).
Initially, the papers focused on the description of NPM-inspired reforms at a system-wide level (tier of government or policy field) or, alternatively, on the recommended features of public budgeting, often with a normative emphasis. Two features received particular attention: the transition from cash to accruals and, in some cases, the supplementation of accounting information with objectives expressed in terms of outputs and outcomes.

The need to replace the traditional cash basis with accruals is a recurring theme within NPM. In most cases, however, the debate has focused on accounting and reporting, as opposed to budgeting, for at least three reasons: (i) the traditional view of public-sector budgeting and accounting as separate fields; (ii) the predominant role of accounting and financial reporting in the private sector, that is, the sector from which NPM drew its inspiration; (iii) the emphasis placed by NPM on the measurement of actual results. Nevertheless, papers do exist that, under a normative/conceptual or an empirical/descriptive approach, criticise the decoupling of accounting and reporting from budgeting and suggest to extend the accrual basis from the former to the latter. According to Vela (1996), Guthrie (1998), Hepworth (2003), Anessi and Steccolini (2007), Carvalho et al. (2006) and Lande and Rocher (2011), in particular, accruals accounting is bound to play a limited role in public organisations if budgets are prepared solely under the cash basis, and that the coexistence of accrual-based reports and cash-based budgets can mislead the interpretation of a government’s financial situation. Other papers, focusing specifically on the UK’s “Resource accounting and budgeting” (RAB) initiative, point out the potential benefits of accrual-based budgeting: better information and incentives to manage assets; better incentives in planning investments; and, more generally, a new impetus to bring under control the sustain-
ability of public finances by highlighting the long-term consequences of current decisions. The same papers identify some critical issues posited by the introduction of accrual-based budgets, such as the accounting treatment of problematic elements of the financial statements (McGeough 1998; Gillibrand and Hilton 1998; Chan 2003; Likierman, 1998; Likierman 2003; Hepworth 2003; Adam and Behn 2006), the rise of creative accounting (Perrin 1998), the need to make non-accountants enable to understand and use the new information (Likierman 2000).

More recently, an increasing number of papers intends to analyse the actual impacts of accrual-based budgeting at the organizational level, often showing that reforms have fallen short of expectations (Pallott 2001; Ridder et al 2006; Hyndman et al. 2007; Hyndman ad Connolly 2011; Jagalla et al 2011; Jones and Luder 2011).

The supplementation of accounting information with objectives expressed in terms of outputs and outcomes was also discussed in a significant number of papers (in some cases, the same papers that discuss the transition to accrual-based budgets). This innovation has been interpreted at two different, but interrelated levels. At the macro (i.e., policy, system or country) level, outputs and outcomes can be used to allocate resources among different agencies or departments (resource or programme budgeting) (Wilks 1995; Likierman 2000; Likierman 2001; Carlin and Guthrie 2003; Midwinter 2005; Carlin 2006; Bissessar 2010). Authors highlight that the implementation of this allocation mechanism does not necessarily imply an improvement at the managerial level, since it requires a change of the internal operating structures. At the micro (i.e., organizational or managerial) level, on the other hand, managers use non-financial information for improving the performance of those organizational units under their responsibility (Bourn and Ezzamel 1987; Alam and Lawrence 1994; Awio and Northcott 2001; Nyland and Pettersen 2004; Pettersen and Solstad 2007; Yahya et al. 2008; Macinati 2010). Papers referring to the organisational level usually describe experiences drawn from the health care and the educational sectors.

Beside NPM-inspired papers, the other large subset is composed of papers (31) that were classified as relying on “other theories of reference”\(^2\). These papers have been mainly published by AOS and FAM, are mainly empirical qualitative (18 out of 31) and, in some cases, quantitative (11 out of 31). The remaining 2 papers use a theoretical approach. Most of them are based on institutional theory; a few take a contingency or incrementalist stance; some contain a combination of theoretical approaches (see Figure 3).

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\(^2\) Whether NPM can be considered a theory is debatable, but is outside the remit of this paper.
The papers that we classified as “contingency based” share some common features. First, they investigate public budgeting as a managerial tool intended to keep managers, within an organisation, accountable for the use of resources and the production of outputs. The issue of publicness is not particularly emphasised in that the focus is on budgeting and its determinants. The goal is to contribute to the existing body of knowledge on budgeting in general. The publicness of the organisations under analysis is viewed simply as a contextual element. Paradoxically, however, this ends up highlighting the peculiarities of the public-sector context much better than in the NPM-inspired literature, where such peculiarities are commonly downplayed. Second, from a methodological viewpoint, these papers share an approach that can be described as static and quantitative. More specifically, they rely on quantitative data, often collected through surveys, to assess the relationship between organisational and environmental factors on the one hand (Abernethy and Stoelwinder 1991) and budget uses and behaviours on the other (Abernethy and Stoelwinder 1989; Goodwin and Kloot 1996; Serritzlew 2005), the relationship between budget features and performance (Williams et al 1990), or the role of budgeting as a mediating tool between strategic change processes and performance (Abernethy and Brownell 1999). Because these papers extend over the entire period under consideration, some of them clearly reflect the presence of managerial reforms.

The contingency approach is rooted on a static, instrumental, and rational view of budgets. This sharply distinguishes it from the institutional approaches, which emphasise the political and cultural dimensions, determinants and implications of budgets, often adopting a dynamic and
processual perspective (Christensen and Laegrid 2012). Indeed, "institutional based" papers tend to study the dynamics of the budgetary process or the changes in budgetary processes. More specifically, during the 1980s the focus was on the budgetary process; in the 1990s it shifted towards the changes in the budgetary process. The 1980s, moreover, were characterised by studies of budgeting in the public sector, with cases chosen in order to contribute to the general literature on budgeting; the 1990s, on the contrary, produced studies on the public sector, aiming at a better understanding of the reforms under way in the public realm. The studies carried out in the 1980s pay particular attention to the underlying cultural and political processes. Covaleski and Dirsmith (1983, 1986, 1988) and Giroux et al. (1986), for example, emphasise the role of budgets in the construction of reality and the perpetuation of power. Boland and Pondy (1986) pinpoint the dual structure of accounting and the importance of studying the interaction between the instrumental and symbolic logics of budgeting. Czarniawska and Jacobsson (1989), finally, focus specifically on the cultural dimension and put forward the view of budgets reflecting "a way of expressing and enforcing some dominant values in the typical context of Western contemporary organizations: rationality, consensus and progress". The papers published in the 1990s, in turn, share large similarities in that, while looking at the changes affecting public budgeting processes: (i) they predominantly adopt a neo-institutional approach, (ii) they conclude that managerial public-sector reforms are jeopardised by the decoupling between ritualistic practices and actual behaviours. Some of them simply highlight the presence of decoupling and the question of isomorphism (Pettersen 1995; Brusson 1995; Edwards et al. 1995; Groot 1999; Edwards et al. 2000). Others delve deeper into internal dynamics (Moll and Hoque 2011; Ezzamel et al. 2012). Only one of the papers analysed adopts old institutional economics as a framework for studying the role of institutionalisation practices in change processes (Hyvonen and Jarvinen 2006).

A fair number of papers could not be univocally classified under one theory in that they either compare or combine different approaches. Among the latter, Seal (2003), Seal and Ball (2011) and Colville (1989) suggest that incrementalism has an institutional nature and thus propose a hybridization of the two streams. Among the former, Reddick (2003) proposes a quantitative analysis to compare three rival decision-making theories (garbage can, incrementalism, and rational) and identify which is more consistent with empirical data.

The other papers in this subset, finally, were qualitative and usually less explicit in their comparison between different theories. A significant group (Williams 1981; Jonsson 1982; Samuelson 1986; Rege 1986; Hogheim et al. 1989) starts off from the normative literature (on PPBS-Planning Programming Budgeting System, ZBB-Zero Based Budgeting, budgeting processes) and highlights the gaps between these suggestions and actual practices. In a discussion of management control practices, for instance, Hogheim et al. (1989) covered the relations be-
tween the world of budget decisions and reporting and the world of action. Rege (1986), on the other hand, proposed a new conceptual and theoretical model (PIPES-Planned incremental package evaluation system) which was supposed to provide the budget officer with a more comprehensive system, encompassing a variety of modern management principles.

The NPM-inspired papers and the papers that rely on “other theories of reference” cumulatively account for 66 of the 79 papers under analysis. The remaining 13 were classified as having no explicit or clearly discernible theoretical framework. Of these, four (Bellamy and Klukers 1995; Xavier 1996; McGill 2001; Andrews 2004) do not explicitly refer to the NPM movement, but present program budgeting reforms introduced in Asia, Oceania, North America and, comparatively, Tanzania and India. These papers analyse actual applications of program budgeting and try to discuss the preconditions and factors that can affect the successful implementation of program budgeting initiatives. As to the other nine papers, published in FAM and IJPSM, they generally illustrate the accounting and budgeting systems of a supra-national (European Union), national (UK and Ireland), or local tier of government (Japan and European countries comparison), with a fundamentally descriptive aim (Taylor 1989; Thain and Wright 1989; Skousen 1990; Yoshida 1990; Edsberg 1994; Levy 1994; Jegers 1996; Jones 2000; Midwinter 2010). Their specific topics include the importance of users and user needs as opposed to technical purity alone, the factors affecting the reforms, the identification of general strengths and weaknesses of current budgeting practices in a given period of time.

4. Discussion: trends in European public budgeting studies

The review presented in this paper highlights some interesting patterns in the European literature on public budgeting.

First, considering the well-established relevance of the topic, relatively little work has been published in Europe on public budgeting in the last thirty years. In our review, we included seven journals: three public management journals as well as four accounting journals that focus mainly or significantly on public-sector accounting. However, we found only 79 relevant papers. Admittedly, some of these journals are relatively recent, and for others the oldest volumes are not downloadable in electronic format. Traditionally, moreover, budgeting was generally viewed as lying outside the scope of both public management and public-sector accounting - which also explains why the oldest papers in our selection often focus on particular organisations, like hospitals. Even in more recent years, however, the number of relevant papers has remained rather low.
Second, the existing papers on public budgeting appear to be significantly under-theorized. Of the 79 papers we analysed, only 31 are based on a full-fledged theoretical framework such as contingency theory or institutionalism. Another 13 apparently lack a strong and clear reference to theory, or are merely descriptive. The remaining 35, finally, are rooted in the NPM framework. In this last group of papers, most simply provide a description of NPM-inspired reforms at a system-wide level (tier of government or policy field) or, alternatively, illustrate with a normative emphasis the recommended features of public budgets. NPM, in other words, did stimulate a strong debate among academics and did force public management and government accounting scholars to consider and understand private-sector concepts and techniques, as well as to assess their applicability to the public sector. At the same time, however, NPM has failed to develop a proper theory of public budgeting as a political and managerial tool at the individual organisation’s level, nor has it sufficiently emphasised the ”publicness” of public-sector entities. In fact, its long-term dominance of the public-sector literature has probably hampered the development of such a proper theory. This is also reflected in the temporal evolution of the 31 papers that we have classified as being based on a full-fledged theoretical framework. During the 1980s, these were mostly papers about budgeting in the public sector, which aimed at contributing to the general literature on budgeting. In later periods, even this group of papers was strongly affected by the advent of NPM. These later papers can thus be described as studies on the public sector: their main purpose is to achieve a better understanding of the reforms under way in the public realm; their main focus is not on budget contents and processes per se, but rather on changes in budgeting, typically during the implementation of reform initiatives.

Third, European authors clearly prefer qualitative research to quantitative analyses. This reflects a specific interest in the evolutionary and contextual aspects of budgeting. As mentioned, however, the qualitative analyses presented in the majority of these papers are merely descriptive or exploratory and consequently far from adopting an explanatory stance. Many of them limit themselves to descriptions of reforms and related pros and cons. This reveals a methodological weakness in budgeting studies.

Fourth, most studies focus on Anglo-Saxon countries. On the one hand, this reflects the Anglo-Saxon centeredness of many European journals (although with differences), combined with the low propensity of some Continental European academic communities to publish at the international level. On the other hand, it probably mirrors the stronger level of commitment and impact of managerial reforms in general, and budgeting reforms specifically, in the Anglo-Saxon context. It is also interesting to notice that European journals are open to contributions from non-European authors and experiences, but there is a deafening silence from South America, Africa and Asia.
Finally, the review carried out in this paper points out interesting patterns in the publishing policies of the analysed journals. FAM appears to be the preferred outlet for publication in this field and the most open to diversity in terms of geographical area, levels of government analysed, research methods, theoretical frameworks. A fair degree of diversity can also be found in AOS, especially in terms of methods and geographic areas. PMM and MAR appear to be very focused on qualitative studies set in the UK and Ireland, whereas IJPSM is keener on developing countries. PMR, MAR and EAR, finally, have so far shown no particular interest in the theme of budgeting in the public sector.

5. Gaps and future research avenues

The review suggests several avenues for future research. First, budgeting does not appear to have played a central role in European public management and accounting research and, thus, more studies are required to close this gap. Public management journals should be interested in budgeting in that budgeting is a key component of public organisations' governance arrangements (both at the inter- and the intra-organisational levels) and a fundamental management tool (in its political, instrumental, and cultural roles). Journals with a focus on public-sector accounting should be interested in budgeting in that budgeting is profoundly and inevitably intertwined with accounting and reporting. Accounting journals should be interested in public budgeting in that it can open new views also for general accounting scholars.

Second, more theoretically informed and methodologically sound qualitative research is required to gain a better understanding not only of budgeting reforms, but also of budgeting features, players, and processes, and, thus, to support the development of an explanatory theoretical framework for budgeting. This framework should try to combine evolutionary and static/cross-sectional views of budgeting and would benefit from the adoption of an organizational view of processes, rather than a system-wide one. More specifically, future research should (i) overcome the limits of a purely technical view of budgeting, paying attention to both managerial and political rationalities, to both budget contents and decision-making processes, to both internal dynamics and inter-organisational interactions; (ii) pay greater attention to the link between reporting, performance measurement, and their role in the budgeting process; (iii) embrace a dynamic and processual view; (iv) identify the environmental and organisational variables that are relevant today in explaining budgetary behaviour at all levels of government. In this regard, multiple case studies could be particularly helpful. Qualitative research might be enriched through the use of discourse analysis and multiple case studies, and also be supplemented by experimental and quantitative analyses.
Third, considering the current financial crisis, budgeting under austerity should be the focus of particular attention. In other words, it would be appropriate to analyse how austerity conditions and policies are shaping budgetary contents and processes. In this respect, it is worth noticing that, although history never exactly repeats itself, several papers dating back a few decades sound strangely familiar and contemporary.

Finally, more studies should be undertaken on continental Europe and developing countries, as well as on cross-country comparisons.
5. References

Papers reviewed


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