

**AN ANALYSIS OF THE EVOLUTION OF
CROWN FINANCIAL STATEMENTS IN
NEW ZEALAND: A GROUNDED
THEORY APPROACH**

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fulfilment of the requirements
for the degree of

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ABSTRACT

In April 1992 the Financial Statements of the Government of New Zealand (also called Crown Financial Statements (CFSs)) were published for the six months ended 31 December 1991. These accrual statements consolidated the activities of Government and were prepared in accordance with generally accepted accounting practice (GAAP). This initiative by a sovereign government is believed to be unprecedented in the world in recent times. The initiative occurred within core public sector management reform undertaken in New Zealand since 1987, a subset of broader economic reform that commenced with the election of the Fourth Labour Government in July, 1984.

This study investigates how the process of change led to the evolution of CFSs in New Zealand. Grounded theory, an interpretive research strategy, is applied to discover why this initiative was taken in New Zealand.

The primary source of data for this study came from interviews with participants involved with the development of CFSs at various stages (i.e., idea initiation, development, approval, and implementation). Interview data were supplemented by searching archival documents, newspaper cuttings collected since the commencement of the study, and the literature.

The study provides a substantive theoretical framework to explain many mutually shaping factors that influenced the phenomenon under investigation. All the conceptual categories (Key People, Axial Principles, Communicating Ideas, Contextual Determinants, Ethos, Knowledge, Process of Change, Synergistic Process of Change, Innovation, Action, Information and Consequences) illustrated in the framework are defined and explained with supporting extracts from interview data.

The contribution of this study is twofold. First, it offers a new way of understanding accounting by developing a framework that incorporates many complex and interdependent factors that influenced the publication of CFSs in New Zealand. Second, the study explains the approach taken and how the research evolved during the research process in a manner that would benefit other similar research.

Key Words: Crown Financial Statements; Grounded Theory.

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CHAPTER ONE

INTRODUCTION

Increasingly recognising that accounting is not an autonomous phenomenon, other social, political and economic factors are now seen as being able to provide bases for accounting change, often playing a significant role in influencing the course of its transformation (Hopwood, 1990, p.8).

1.0 BACKGROUND

This study investigates the underlying influences leading to the emergence of the Financial Statements of the Government of New Zealand (also called Crown Financial Statements (CFSs)). The CFSs were prepared on an accruals-basis, they consolidate the activities of Government, and were first published in 1992 for the six months ended 31 December 1991. This initiative, believed to be unique among national governments since the 1930s, came about within the context of public sector reform, which was, in turn, a subset of broader economic reforms implemented in New Zealand after the election of the Fourth Labour Government in 1984.

The preparation of CFSs on an accruals basis was mandated under the Public Finance Act (PFA) (1989), which was part of public sector management reform implemented in New Zealand since 1986. New Reporting requirements were needed to complement changes introduced under the State Sector Act 1988. The PFA legislated for the Crown, Departments, Offices of Parliament, and Crown Entities to shift to accrual accounting techniques from 1 July 1989, in order to, facilitate the preparation of CFSs for the year ended 30 June 1992. However, for the year ended 30 June 1992, the full Crown reporting entity had not been reported because there were two outstanding issues that required further research and debate. These were:

- a) clarification of the boundary of the Crown reporting entity; and
- b) the appropriate method for consolidating State-Owned Enterprises.

These issues were resolved by a sub-committee of the Finance and Expenditure Committee in their report *On The Inquiry Into Reporting By The Crown And its Sub-Entities To The House Of representatives* (House of Representatives, 1991) and amending legislation was subsequently passed. Thus, the CFSs for the year ended 30 June 1993, were the first to report the complete Crown entity and all of its sub-entities.

The statements identify in summary format what the Crown owns, what it owes, revenue received, and expenditure incurred, and provide a snapshot picture of the Crown's financial position as at balance date. To achieve this development of CFSs, various technical issues were addressed including: valuation of assets such as military equipment and state forests; development of accounting policies for the public sector where none existed previously; and accruing for unfunded pension liabilities. However, focusing on the technical issues overlooks the broader environment within which this initiative occurred.

Existing literature in New Zealand describes public sector management reform with little consideration of the influences that underlay the reforms (Scott and Gorrings, 1989; Scott, Bushnell and Sallee 1990; Ball, 1990; Boston, Martin, Pallot and Walsh, 1991; Hay, 1991; Pallot, 1991; Ball, 1992a; Ball 1992b; McCulloch and Ball, 1992; Pallot, 1992a; McCulloch, 1993; Ball, 1994; Wild, 1994). The literature on CFSs is not extensive. Pallot (1994, 1992b) provides a description of CFSs, discussing technical issues that needed to be addressed as well as identifying social and environmental factors that led to this initiative. McLeod (1992) describes issues considered in developing accounting policies and the format of the CFSs.

The preparation of CFSs by a sovereign Government in accordance with generally accepted accounting practice (GAAP) requires further investigation to explain why this initiative happened in New Zealand and nowhere else to date in the world. Research of this type would aid our understanding of how accounting is embedded in its environment (macro and micro). The development of CFSs occurred within a particular historical context reflecting that accounting is dynamic and socially constructed.

1.1 RESEARCH PROBLEM

The research problem was initially stated as: To identify and explain the underlying factors that influenced the evolution of an accruals-based set of Crown Financial Statements in New Zealand.

The characteristics of this problem are many. First, it requires a longitudinal study covering the period from 1975 - 1993. This period was chosen to determine the historical context within which change was initiated, and to capture the process of change which led to the publication of the first full set of comprehensive accruals-based CFSs.

Second, some influences are very broad. For example, there was a shift in economic ideology within Treasury from neo-Keynesian policies to a monetarist perspective. As noted by Boston (1989), a similar trend could be observed throughout other OECD (Organisation for Economic Co-operation and Development) countries.

Third, because cause and effect cannot be readily determined or appears non-existent and may involve many additional influences, the research should be *a posteriori*, focusing on the social context and the interpretations of actors. Thus, a holistic research approach is required.

Fourth, during the period under study, there would have been various decision points along the way and decisions at these points could have gone either way. For example, if politicians did not accept the need to transform public sector accounting from cash-based techniques to accrual-based techniques legislated for in the PFA (1989), this initiative could not have occurred. Therefore, it is necessary to ascertain what kept change moving forward, similarly, to determine why radical change did not occur before 1984. Thus, it is necessary to look at the strategies that were used by individuals to manage the development of CFSs.

These characteristics point to the complexity of the research problem and the difficulty of finding a prior theory or framework that would encompass all these issues. These

considerations came to light during the research process and the original research problem was progressively refined.

The more refined purpose is: *to explain how the process of change in the accounting environment led to the evolution of Crown Financial Statements in New Zealand.*

1.2 RESEARCH METHODOLOGY

In recent years, accounting scholars, such as Chua (1986); Hopper, Storey, and Willmott (1987); Covalleski and Dirsmith (1990); Hopwood (1990); Morgan and Willmott (1993); Hopwood (1994), have suggested the need for studying accounting within the context in which it operates. This view recognises that there is scope for research that studies accounting change within everyday life, and within the broader social, economic and political environment, to enrich our understanding of the social construction of accounting (Hopwood, 1990; Hines, 1989). As noted by Perera (1994), accounting is a socio-technical activity that involves dealing with both technical and societal factors, as well as interaction between them.

To grapple with complex matters, research methods within the naturalistic approach are considered by many scholars to be the most appropriate (see Tomkins and Groves, 1983). Broadbent and Guthrie (1992), in a paper on changes in the public sector, review new directions on public sector research and put out a challenge for more "alternative" type research. That is, explanations of accounting's role and how it influences and is influenced within wider organizational and social settings, are required. Similarly, Hopwood (1990) suggests that accounting researchers adopt research methods that will enhance our understanding of the way accounting is embedded in organisational and social change. Yet, to date, there has been a scarcity of journal articles in the accounting literature that use this approach.

Tomkins and Groves (1983) drew attention to the use of naturalistic (or "interpretive humanistic") research approaches to discover and understand relevant social behaviour "in its natural setting" (p.364). However, these authors also criticise accounting researchers who have adopted the naturalistic approach because, they do not explain the methods that they use. More recently, Ferreira and Merchant (1992), in their review of field research in the management accounting control area, also criticised scholars for not satisfactorily explaining the research methods employed, and for not showing how the research evolved during the research process.

Knowledge of the social world for this study will focus on an epistemology that emphasises the importance of understanding the process of human action and interaction within a pattern of symbolic relationships and meanings (Morgan & Smircich, 1980). That is, it focuses on understanding how actors negotiate, affirm and construct their own organisational reality through self-reflection and a process of continuous social interaction. It is through these processes that "meanings and norms become objectively (intersubjectively) real" (Chua, 1986, p.614). Therefore, "naturalistic" or "interpretivistic" research methods are well suited for the study of the social construction of accounting because they permit a broader understanding of accounting in action.

Ansari & Bell (1991) explored the contribution of three frameworks (technical-rational, collectivist, and symbolic interaction) to explain accounting/control systems in a Pakistani company. This was done through a case study in the ethnographic tradition conducted over a twenty-two year period (1967-1989). The *a priori* frameworks (technical-rational and collectivist) in this field study did not adequately explain the existence of accounting/control systems. In addition, the authors adopted an interpretivist approach to identify the symbolic processes in the organisation in order to understand how participants assign meaning to action. In-depth exploration here revealed that a control system rests on the value system of its participants and the societal culture within which it operates, not on how rational it is. As explained by Morgan (1984, p.313) the contribution of an interpretive view is to show "...that order in the social world, however real in surface appearance, rests in a precarious, socially

constructed web of symbolic relationships that are continuously negotiated, affirmed or changed".

This thesis does not address the debate of the merits and criticisms of "positivistic" and "naturalistic" research; that is seen as a false dichotomy as each perspective comprises differing strengths and weaknesses (Morgan and Smircich, 1980; Patton, 1990). As outlined by Morgan and Smircich (1980, p.492), each research perspective (refer Appendix 1) is linked to a particular set of ontological assumptions. Thus, the methodology pursued will be the one that best addresses the problem, combined with considerations of the nature of the phenomenon to be investigated and the ontological assumptions (or world view) of the researcher (see also Silverman, 1993).

The naturalist or interpretivist approach can contribute to accounting research by moving beneath the surface and explaining how complex and multi-faceted reality is. A knowledge of how accounting is socially constructed will increase understanding of accounting in particular contexts (Hines, 1989).

Within the qualitative methods umbrella there are a range of research paradigms that are quite diverse, each with its own strengths and weaknesses, for understanding emergent, subjectively created, social phenomena. Covalski and Dirsmith (1990) identify methods within the interpretive research mode. These include social action theory, grounded theory, ethnomethodology and phenomenology.

Because of the nature of the problem, an interpretive research strategy, the grounded theory method as a method of qualitative analysis, was selected for this study. The grounded theory method is a useful approach to discover what happened in any of the following circumstances.

1. Where little is known about an emergent phenomenon and reality is multi-faceted (Glaser and Strauss, 1967; Glaser, 1978; Strauss and Corbin, 1990). Here the

researcher must be open to discover what is going on from participants in the world being investigated.

2. Where there is no prior theory to explain what has happened or existing theories fail to explain a particular set of circumstances (LoBiondo-Wood and Haber, 1994).
3. Where the process of change is being investigated (Strauss and Corbin, 1990).
4. To understand basic social processes behind a phenomenon about which little is known (Glaser, 1978). In other words, the grounded theory method is a suitable approach where it is necessary to go behind the scenes to explain the development of the phenomenon.
5. Grounded theory is a useful approach for understanding the impact of new ideologies (Chenitz and Swanson, 1986).

For this study the primary source of data came from interviews with participants involved with the phenomena at various points in the development of CFSs. The grounded theory method is characterised by concurrent data collection and analysis. Several procedures and techniques critical to the grounded theory method permeate this process such as coding, constant comparative method, memo-writing, questioning, sorting and theoretical sampling. These are the procedures and techniques employed to generate theory. The outcome of this research will be an integrated substantive theoretical framework derived from the data that will explain the evolution of CFSs in New Zealand.

1.3 CHAPTER OUTLINE

The thesis is structured into six chapters. Chapter One has described the research problem and introduced the research methodology. Chapter Two provides a concise overview of the procedures and techniques of the grounded theory method. In this chapter the evaluative criteria employed in this study and pitfalls of the approach are also discussed. An analysis comparing the explanations of grounded theory method by Strauss and Corbin (1990) and

Glaser (1992) is included with a view to determining whether there is a divergence between the two.

In Chapter Three, the application of grounded theory procedures and techniques of concurrent data collection and analysis followed in this study are described. This chapter also provides an audit trail of decisions made by the researcher during the research process. Besides this, the chapter describes an example of how a conceptual category is developed and also, how the core category was selected. Finally, the chapter describes going back to participants for second interviews to discuss the substantive theoretical framework.

The Process of Change leading to the introduction of CFSs is described in Chapter Four. Here, the core category Process of Change and six auxiliary categories that emerged from the data are defined and explained. The chapter includes excerpts from interviewees supporting the categories.

Chapter Five is titled "A Framework to Analyse the Evolution of CFSs", which blends the the Process of Change illustrated in Chapter Four into the framework. Also, additional conceptual categories that emerged from the data are defined and explained. This framework, in diagrammatic form, explains the evolution of CFSs in New Zealand.

The final chapter, Chapter Six, presents a summary of the research findings. Evaluative criteria and limitations of the study are also discussed in this chapter. It has a section that explores accounting focusing on the context in which such change takes place. The final section provides a concluding comment and some ideas for future research.

CHAPTER TWO

OVERVIEW OF GROUNDED THEORY

2.0 INTRODUCTION

This chapter provides an overview of grounded theory, a research method derived from the symbolic interactionist theory about human behaviour. The chapter is organised into four sections. The first section looks at symbolic interactionism. The second section explains the systematic procedures and techniques, evaluative criteria employed in this study, and pitfalls of this research perspective. In the next section, the divergence of opinion between the originators is discussed and the final section summarises the discussion in this chapter.

2.1 SYMBOLIC INTERACTIONISM AND GROUNDED THEORY

Symbolic interactionism is a perspective that has its disciplinary roots in social psychology and is associated with George Herbert Mead (1934) and Herbert Blumer (1969). Blumer (1969, p.2) articulated three premises fundamental to symbolic interactionism:

1. Human beings act toward things on the basis of the meanings that the things have for them.
2. The meaning of such things is derived from, or arises out of the social interaction that one has with one's fellows.
3. These meanings are handled in, and modified through, an interpretive process used by the person in dealing with the things [s]he encounters.

Central to Blumer's (1969) three assumptions is the idea that human beings construct their reality through a process of assigning meaning to action, interaction and self-reflection. It is through these processes that those meanings become reality to actors. To conduct research within this approach, it is necessary to understand the reality of the actors, to see the world as the actor sees it, and to illuminate unforeseen relationships.

Symbolic interactionism provides the genesis for grounded theory (Chenitz and Swanson, 1986; Baker, Wuest and Stern, 1992). Grounded theory is a research approach that was developed by two sociologists, Barney Glaser and Anselm Strauss, from their studies of dying patients. The conceptual foundation of this approach is explained in their seminal book *The Discovery of Grounded Theory: Strategies for Qualitative Research* (1967).

Subsequently, Glaser and Strauss have written books individually elaborating on their original work. Additionally, Strauss and Corbin (1990) in their book *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*, also provide a comprehensive framework of procedures and techniques for learning qualitative analysis.

Strauss and Corbin (1990) explain grounded theory as:

one that is inductively derived from the study of the phenomenon it represents. That is, it is discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon. Therefore, data collection, analysis, and theory stand in reciprocal relationship with each other. One does not begin with a theory, then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge (p.23).

The grounded theory method is an inductive approach that utilises systematic procedures and techniques to discover processes that occur as individuals interact with others within a particular social context. What the authors mean by inductive is that the process is primarily inductive, as no approach can be purely inductive or deductive. While the method was developed by two sociologists, it has wider applications (Strauss and Corbin, 1990; Glaser, 1978).

2.2 GROUNDED THEORY METHOD

The grounded theory method represents a flexible approach to research. However, in order to establish credibility as a research method, it involves adopting certain procedures and

techniques to ensure rigour in the research process. This section includes a discussion on the systematic procedures and techniques to be used during grounded theory studies, along with some evaluative criteria. It also provides an indication of the potential pitfalls of grounded theory.

2.2.1 Procedures and Techniques

There are two tenets to the method. These are: discovery and theoretical sensitivity. First, the process of *discovery* is important because the researcher must "discover what is going on" (Glaser, 1978). To aid discovery, a vital element of grounded theory method is creativity (Strauss & Corbin, 1990). Creativity involves the ability of the researcher to code concepts and derive apt categories that represent the underlying reality of the particular study. It also allows the mind to make new insights with the data not previously seen that will lead to discovery and thus avoid "conceptually thin and poorly validated research" (Strauss & Corbin, 1990, p.94).

Additionally, researchers are permitted to triangulate data sources to facilitate discovery. Triangulation of data within a method has been described by Denzin (1970) as "the use of multiple methods in the study of the same object (p.301)." The contribution of this is that the analyst can tap into a variety of data sources (e.g., interviews, archival documents and newspapers) to understand the phenomenon being investigated.

Within a grounded theory based study the researcher commences with an area of research and allows relevant theoretical concepts or theory to emerge from the data. As stated by Glaser (1978) "*conceptual specification* is the focus of grounded theory, not *conceptual definition*" (p. 64, original emphasis). This is an important point because the operational meaning of a concept emerges from the analysis by identifying dimensions and properties from the data of a particular study. Thus, specification of a concept is subject to change throughout the duration of the study.

The second tenet of grounded theory is *theoretical sensitivity*. There are several procedures and techniques the researcher can utilise to enhance theoretical sensitivity. They include the constant comparative method, questioning, coding, memo-writing, theoretical sampling, the conditional matrix, review of the literature and sorting. These enable the researcher to relate systematically concepts and categories that represent and work with the data to make the necessary connections in studies employing grounded theory method (Glaser, 1978).

The *constant comparative method* of qualitative analysis is utilised throughout the research process to identify similarities, differences, to uncover specific dimensions and to facilitate systematic development of theory. Glaser and Strauss (1967) describe the comparative analysis method used in grounded theory in the following terms:

in contrast to analytic induction, the constant comparative method is concerned with generating and plausibly suggesting (but not provisionally testing) many categories, properties, and hypotheses about general problems.... Some of these properties may be causes, as in analytic induction but unlike analytic induction, others are conditions, consequences, dimensions, types, processes, etc. (p.104).

Initially this method is used to compare incidents with incidents to give them the same substantive code. Next, substantive codes are clustered according to their similarities and differences. Memos are also sorted, and eventually, through a process of accumulated knowledge (Glaser and Strauss, 1967), categories begin to become integrated, and a core category or process that explains the data is discovered.

Questioning is another technique employed to open the data and to enhance theoretical sensitivity, although its nature changes at differing stages of the research process (Glaser & Strauss, 1967; Strauss & Corbin, 1990). This involves asking fundamental questions of the data like: who? what? where? when? how? and why? Beyond this, it also involves questioning in other ways, for example, to suggest hypotheses, or to suggest how the data might be related to one another (Strauss and Corbin, 1990, pp.62-63).

Coding provides the link between the data and the theoretical concepts or theory. Strauss and Corbin (1990), developing the original work of Glaser and Strauss, refer to three levels of coding as follows:

- 1) *open coding* where data are examined on a systematic basis (eg., line by line or sentence by sentence, etc) to derive concepts relating to the data. Not only does this involve reducing the data into manageable pieces and naming but also comparing, examining, conceptualising and categorizing the data (see pp.61-74).
- 2) *axial coding* involves putting the data back together in new ways through using a coding paradigm that recognises conditions, context, action/interactional strategies and consequences to make connections between categories and sub-categories (see pp.96-115).
- 3) *selective coding* is where the core category is identified and systematically related to other categories. Categories are developed and integrated into the theory and identified relationships are validated (see pp.116-142).

Open coding, also called substantive coding (Strauss, 1987), is the first analytical step upon which the research process is based. While open and axial coding may occur simultaneously, selective coding normally occurs after the first two. Each level of coding represents a more "condensed abstract view" (Glaser, 1978).

Another procedure employed in grounded theory studies is *memo-writing*, that is, informal memoranda written by the researcher, to the researcher. The purpose of memos is to capture in written format thoughts and ideas that derive from the research process at each stage.

They allow the researcher freedom to record observed relationships from the data without concerns about expression, punctuation and grammar. During the research project, the memos vary in length, intent and type of coding (Strauss & Corbin, 1990). Glaser and Strauss (1967) suggest a rule to be followed to capture ideas: "stop coding and record a memo on your ideas" (p.107). According to Glaser (1978, p.83):

Memos are the theorizing write-up of ideas about codes and their relationships as they strike the analyst while coding. Memos lead, naturally, to abstraction or ideation. Memoing is a constant process that begins when first coding data, and continues through reading memos or literature, sorting and writing papers or monograph to the very end. Memo-writing continually captures the "frontier of the analyst's thinking" as he goes through either his data, codes, sorts and writes....The four basic goals in memoing are to theoretically develop *ideas* (codes), with complete *freedom* into a memo *fund*, that is highly *sortable*.

Theoretical sampling is critical to the application process of grounded theory. Strauss and Corbin (1990, p.176) define theoretical sampling as "sampling on the basis of concepts that have proven theoretical relevance to the evolving theory". Thus, it is not the people *per se*, but incidents that are important in theoretical sampling to the development of relevant concepts. Therefore, predetermined sample sizes are not appropriate because after initial selection, sampling is related to the findings of the study and where those findings take the researcher (Sandelowski, 1986). Control is exercised by the emerging theory until saturation of themes is evident (Glaser & Strauss, 1967). Data saturation occurs when the information received from participants is repetitive, and no new themes emerge.

According to Strauss and Corbin (1990), sampling procedures in grounded theory are directed by the type of coding procedure adopted and the theoretical sensitivity of the researcher. Sampling ceases through a judgemental decision by the researcher. Criteria include the following: saturation of themes, density of the theory, integration of the theory, depth of focus, variation of process and theoretical sensitivity of the analyst (Glaser & Strauss, 1967, p.45-77; and Strauss and Corbin, 1990, pp.178-179).

Another useful analytical tool for the researcher is the *Conditional Matrix* developed by Strauss and Corbin (1990) and illustrated in Figure 1 . The conditional matrix provides an explanatory framework linking a broad range of factors at various levels for identifying conditions and consequences related to the phenomenon under investigation.

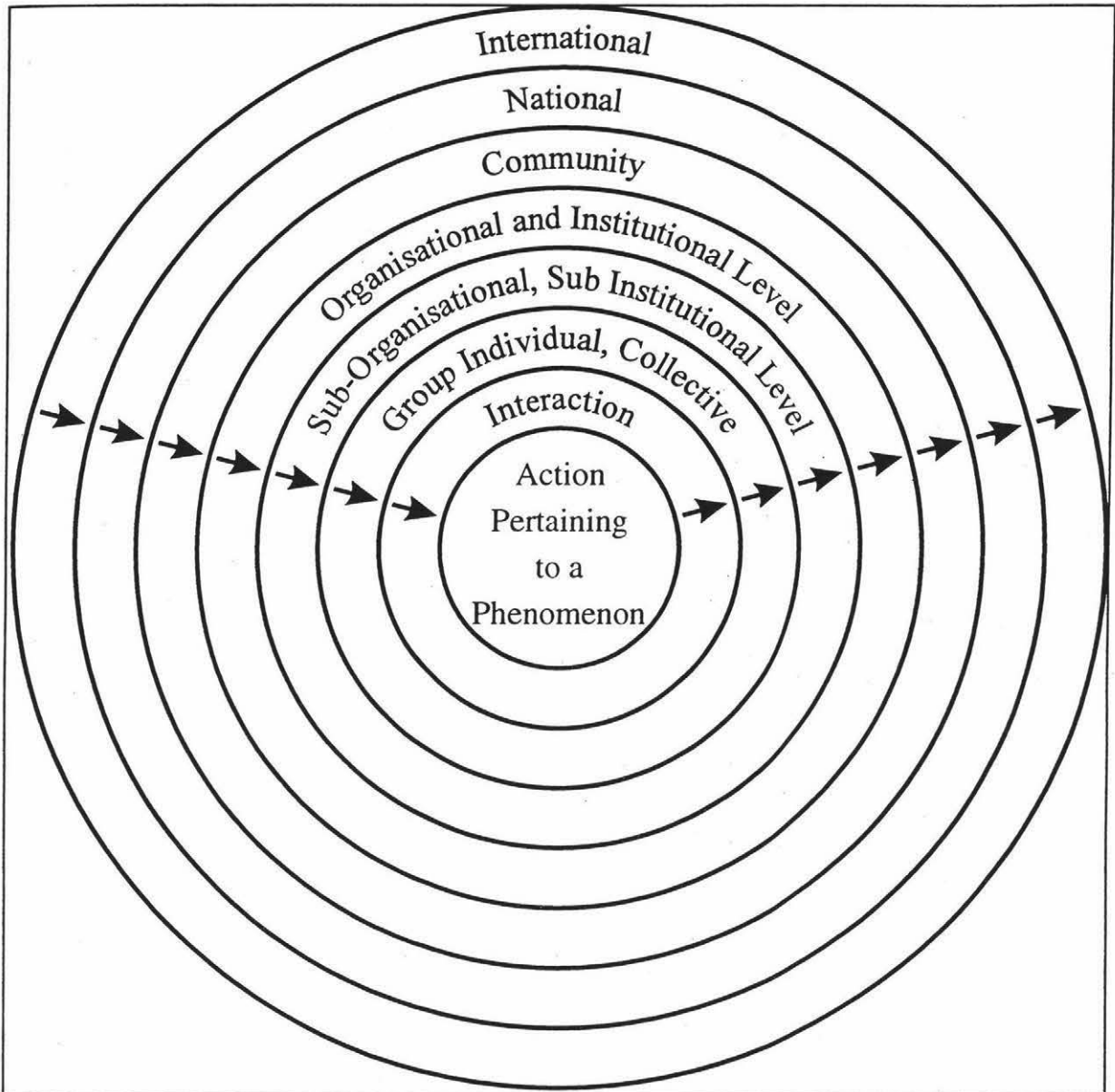


Figure 1: **Conditional Matrix** (Source: Strauss & Corbin, 1990, p.163)

Strauss and Corbin (1990, pp. 162-164) describe the general features that should be considered within each matrix level. Conditions to be considered at the broadest levels (international, national and community) include items such as: politics, culture, values, philosophies, economics, history, issues and problems in the environment. Each respective level should be analysed to discover what are the relevant factors at each level that influenced the phenomenon under investigation.

Moving inward, the history, structure and problems of applicable organisations and institutions are to be identified. Next the unique features of a department or division within an organisation or institution need to be incorporated. At the collective, group and individual levels biographies of key individuals and groups would be included.

Next comes the interactional level. This is where actors interpret meanings regarding the phenomenon through interaction with other people, also with themselves. Strauss and Corbin (1990, p.164) state, "interaction is carried out through interactional processes such as debate, discussion, negotiation, and self reflection". The innermost circle completes the diagram and includes both strategic and routine action.

Throughout data collection and analysis, technical and non-technical *literature is reviewed* continuously. The purpose of this is to treat all literature as data that can supplement real (primary) data in a variety of ways. For example, two ways the literature (technical and non-technical) can be used are: to direct theoretical sampling and to identify pertinent material that can be used to support emergent categories (refer Strauss and Corbin, 1990, pp.48-56).

Sorting enables patterns to emerge from the data. In the early stages this includes sorting of codes (substantive and theoretical). In the later stages it is the sorting of memos to derive conceptual categories and the core category. No matter at what stage the sorting is undertaken, ideas which emerge during this process should be captured in memos, to avoid any ideas being lost. It is at this stage that the researcher becomes aware of how multidimensional reality is. As explained by Glaser (1978, p.118) "it is during the sorting that the analyst appreciates to the fullest the multivariate nature of grounded theory. [S]he can just see it occurring during [her] sorts and as the multi-connections between categories occurs".

From this process of sorting, an integrated theoretical framework will emerge. Glaser (1978, p.125) suggests that the emergent theory is ready for sharing when it "explains, with the

fewest possible concepts, and the greatest possible scope, as much variation as possible in the behaviour and problem under study".

The researcher, accepting the idea that there are multiple realities, cannot profess to discover the only reality. The grounded theory approach will enable the researcher to provide an interpretation of events derived from the participants' perspective that will be abstracted via coding at various levels to derive some core theoretical categories integrated into a theoretical framework. Thus, as stated by Strauss (1987), "the researcher's will not be the only possible interpretation of the data...but it will be plausible, useful, and allow its own further elaboration and verification" (p.11).

2.2.2 Evaluative Criteria

Strauss and Corbin (1990) provide evaluative criteria as guidelines for judging a grounded theory study that relate to the research process employed and the empirical grounding of the study. However, it is believed that more comprehensive criteria are required.

Guba and Lincoln (1981) provide strategies for achieving and evaluating rigour in qualitative research. The authors outline four criteria: credibility, fittingness, auditability and confirmability. These criteria were used successfully in another study utilising grounded theory in nursing (Walton, 1989).

A study is credible when the descriptions and interpretations presented are recognisable by the participants or other people who might read the study. Fittingness is attained when the findings are well grounded in the participants' experiences and "fit" the data from which they were derived representing both typical and atypical elements. Another aspect of fittingness is when a study's findings are viewed as meaningful and applicable in contexts outside the study situation. Auditability is attained when the researcher leaves a clear "decision trail" that can be followed by another researcher. For instance, if the researcher needed to adopt any other procedures or techniques this would need to be fully elaborated in the final report.

Additionally, another researcher, given the researcher's data, perspective and situation, could arrive at similar and not contradictory interpretations. Confirmability represents the criterion of neutrality and is achieved when credibility, fittingness and auditability criteria have been met in the findings of the study.

2.2.3 Pitfalls of the Approach

The use of grounded theory procedures is very time intensive, and, as Patton (1990) explains, the researcher is both the greatest strength and weakness in this type of analysis. For example, everyone is biased by some view and it is the researcher's responsibility to control their bias. These concerns apply to naturalistic research methods generally.

More specifically, some potential pitfalls of grounded theory method include the following: interviewees may be uninterested in the researcher's study, may not be aware of the macro influences, may give "false" information, or may have difficulty in recollecting events. Additionally, the use of grounded theory procedures and techniques are very time intensive.

2.3 DIVERGENCE OF GROUNDED THEORY METHOD

In recent years, however, there has been a divergence of opinion between the originators of grounded theory, which became public in 1992 with Glaser publishing his book titled: *Basics of Grounded Theory Analysis: Emergence vs Forcing*.

The book is a critique of Strauss & Corbin's 1990 book. Significant differences between the two approaches were not apparent until an in-depth analysis was undertaken. This was done on a chapter by chapter basis. The results of this analysis are contained in Appendix 2.

A discussion of the significance of the differences and how these impacted on the current study are deferred until Chapter Three. Suffice to say at this stage that the methods outlined by the two authors *are* divergent. The analysis summarised in Appendix 2 shows that the divergence arises from fundamental differences in approach.

The fundamental divergence can be traced to differing philosophical positions related to the originators' differing backgrounds. Glaser, who studied at Columbia University, advocates a conceptual approach to grounded theory studies based on emergence and relevance. He accepts the subjectivity within the naturalistic mode of research as inherent, as with human nature. He suggests the researcher should have trust and patience that, through emergence, a conceptual framework will materialise that will explain how participants processed a problem. The patterns are just there waiting to be discovered. By contrast, Strauss, who studied at the University of Chicago, advocates a more objective and application oriented approach. This is manifested in Strauss and Corbin's 1990 book where the paradigm model is pivotal to research conducted because all categories discovered must be linked to the constituent elements of the model, i.e., causal conditions, phenomenon, context, intervening conditions, action/interaction strategies and consequences. The contrast in both of these approaches is captured in Glaser's phrase "emergence vs forcing".

2.4 SUMMARY

The grounded theory method is an interpretive research strategy, characterised by concurrent collection, coding and analysis of data. Analysis of the field data involves analysing on a selective basis (i.e., line by line, sentence by sentence, paragraph by paragraph) the meaning reflected and described in conceptual form.

Several procedures and techniques critical to the method permeate this process such as: coding, theoretical sampling, constant comparative method, memo writing and sorting. Control is exercised by the emerging theory until saturation of theoretical conceptualisations

is achieved, that is, when the information received from participants is repetitive and no new themes emerge. Through sorting an integrated theoretical framework will emerge that fits the data.

The diverging perspectives between Strauss and Corbin (1990) and Glaser (1992) were analysed and it was concluded that Strauss and Corbin (1990) have developed a different approach to the grounded theory method. In Chapter Three, the process followed by the researcher in this study is discussed.

CHAPTER THREE

APPLICATION OF GROUNDED THEORY

3.0 INTRODUCTION

An overview of the grounded theory method as a whole was presented in Chapter Two. This chapter discusses the process of data collection and systematic analysis adopted in this study. The nature of the research method adopted for this study requires that the researcher explain how the research process evolved during the study. Because of this the author has adopted the use of the pro-noun I, for this chapter.

3.1 DATA COLLECTION AND ANALYSIS

The procedures and techniques I followed to derive an integrated theoretical framework from the data are outlined in this section. The discussion is organised under five headings: Study Group Sample and Ethical Consent, Data Collection, Data Analysis, Development of Categories, and Discovery of the Core Category.

3.1.1 Study Group Sample and Ethical Consent

The fieldwork commenced in February 1994 and continued until the final draft was completed. Before beginning the interviews, approval from the Massey University Human Ethics Committee was obtained to ensure protection of participants' human rights. Issues that needed to be addressed before contacting participants were: informing respondents about the nature and purpose of the study, anonymity and confidentiality of data obtained, and protection of participants' identity when using quotes.

Two Members of Parliament were interviewed within the first month of commencing the project. In August 1994 collection of data resumed. This time, nine potential interviewees were identified either through the first two interviews, or from the literature as being involved in the reform process at various stages (i.e., idea initiation, development, approval and implementation). Of the nine potential interviewees, three were unavailable to be interviewed and were excluded. Reasons for unavailability were: one declined to be interviewed, one never responded, and one was overseas. A copy of the initial letter of contact is provided in Appendix C. This approach to theoretical sampling is called purposive sampling. It involves the deliberate choosing of people to interview (Strauss and Corbin, 1990, pp183-184), and is a sampling technique appropriate within the grounded theory method.

Consistent with grounded theory method, sampling decisions evolved during the research process. Five more individuals were identified by interviewees as involved in the development of CFSS and were subsequently interviewed. Altogether thirteen people were interviewed for this study. A listing of all the participants is contained in Appendix D. The participant group comprised four Members of Parliament, seven Senior Public Servants (four from The Treasury and three from The Office of the Controller and Auditor General, all at various top positions within their hierarchy), one academic and one employee from the New Zealand Society of Accountants (NZSA). All participants had university degrees; one had a masters degree and three had doctoral degrees.

It should be noted that some participants in this study were high profile people, yet they agreed to participate in this study. It was clear that informants enjoyed talking about that period in which enormous change took place.

Letters were sent to potential participants informing them of the research purpose and the intended nature and duration of the interview. Also enclosed was a contact sheet to be completed and a self-addressed envelope. A copy of the contact sheet is illustrated in Appendix E. Interviews were conducted at a location and time suitable to the interviewee.

At the interview, informed consent of participants was achieved by providing each participant with a brief verbal or written explanation of the purpose of the research. Questions were encouraged from participants and they were reminded of their right to withdraw from the research. Consistent with the Massey University Ethics Committee's requirements to protect human rights, written consent was obtained from each participant (see Appendix F). Confidentiality was ensured through a coding procedure for information, the code known only to the researcher.

3.1.2 Data Collection

Two main methods of data collection were used for this study: interviews and document analysis. Primary evidence comes from interviews with participants involved in the process or associated with the development of CFSs at varying points. Interviewing participants is the best method to aid understanding of individual's perceptions, and the meanings they attributed to factors that influenced the evolution of CFSs in New Zealand.

Ten of the thirteen participants have been interviewed twice. First interviews ranged in duration from thirty minutes to one and a half hours depending upon the length of interviewee's responses and the time they had available.

Interview questions were based on the researcher's limited knowledge of the literature to ensure theory emerged from the data. This approach is advocated by Glaser & Strauss (1967) who suggest that "similarities and convergences with the literature can be established after the analytic core of categories has emerged" (p.37).

Open-ended questions were used initially to identify concepts and critical factors within the environment (international and national) that influenced change that occurred in New Zealand since the election of the Fourth Labour Government in July 1984. Examples of questions included the following:

- Do you think international agencies had an impact on changing New Zealand's economic direction?
- In what way do you think economic reforms influenced the decision to reform central government as a whole?
- What do you think were critical events that brought about the change to accrual accounting in the public sector during the 1980s?

Although open ended questions were drawn up for the initial interviews, new questions emerged during the interviews. These questions occurred within interviews, but also, as interviewing progressed through the process of open coding of interviews, questions were asked about codes that were derived from analysis.

All interviews were audio-taped and sometimes hand-written notes were also taken. All first interviews were transcribed by the researcher. This had the major benefits of making the researcher familiar with the data, and, giving her the opportunity to reflect on the data. A copy of the transcript was sent to each interviewee with a thank-you letter asking the respondent to advise the researcher of any additions or alterations. A copy of the thank-you letter is provided in Appendix G. Four interviewees returned the transcripts with edits.

The researcher's impressions were noted as field memos immediately after each interview. As explained earlier, one rule of the constant comparative method is to stop coding and write a memo whenever a fresh idea enters the researcher's mind.

Thus, memo-writing commenced after the first interview and includes field, operational, code note, and theoretical memos. Field memos record impressions, observations and hunches of the researcher while operational memos signal further investigative work to be undertaken. Code note memos are derived from open (substantive) and theoretical coding. Theoretical memos reflect the thinking of the researcher about emergent patterns that appear in the data and integration of theoretical codes into theoretical concepts and conceptual categories.

Additional data came from observation of a Parliamentary Select Committee hearing involved in reviewing the 1993 annual CFSs and newspaper articles collected since the commencement of the study. Besides this, Treasury post election briefing papers (PEB) held at National Archives were searched for the period 1972 - 1981 (inclusive of). Since 1984, PEB papers prepared by the Treasury have become public documents. Personal thoughts and ideas about theory and method are comprised in memos.

3.1.3 Data Analysis

Analysis of the data began after the first interview. Once an interview had been transcribed the process of open coding in the right hand margin commenced. The researcher chose to analyse the interviews on a sentence-by-sentence basis looking for a *single* meaning reflected in what was said by the subject.

Open (substantive) coding led to the generation of codes (either words or phrases) by the researcher as well as the use of codes originating from the interviewees' own words. The latter are called *in vivo* codes (Glaser, 1978, p.70; Strauss, 1987, p.33), which are particularly useful as they capture succinctly the essence of the sentence. Examples of early substantive codings in this research are illustrated in Table 1.

Constant questioning of the data is a key feature of grounded theory and this was employed to discover codes that reflected the underlying reality. Certain questions asked during the coding process helped in discovering the underlying problem(s) which initiated subsequent action in response. Such questions included,

- i) does this relate to the evolution of Crown Financial Statements?
- ii) what is the key idea expressed in this sentence?
- iii) what is the underlying reality?

Table 1. Observation of Open Coding

Interview Extract	Substantive Coding
<p>.... the concern I had was the concern that anybody would have looking at accountability of financial statements which are grossly deficient, lend themselves to distortion and manipulation. By manipulation I mean the standard technique of putting the accounting payment in the bottom right hand drawer post as it was 31 March in those day and all that sort of thing. The treatment of capital as a free good. No recognition of the capital component in the production of current goods and services. The depreciation charge, the associated interest charge on capital. These were all factors which anyone with concern for these things would identify with. They were the things that were of concern to me. The question of net worth obviously we were hearing so much about the level of national debt. What was the national stock of capital and we had no idea. It came as something as a shock. When were the first set of consolidated statements? When the net equity was negative. So those were all the factors that persuaded me and presumably persuaded</p>	<p>distortion and manipulation of statements</p> <p>deliberate adjustments</p> <p>ignoring cost of assets incorrect costing information</p> <p>ignoring book costs</p> <p>country's indebtedness</p> <p>lack of financial information</p> <p>surprise</p>

Substantive coding continued on this basis. The constant comparative method was used to make comparisons between interview data collected, primarily by comparing codes with lists of codes already derived from previous interviews analysed.

The process of deriving codes was not an easy one. However, my understanding was enhanced through performing the procedures of the grounded theory method. For example, it was not until I was nearly two-thirds of the way through coding first interviews that it became apparent that the process was not coming together. This feeling persisted. After a period of nearly three months away from analysing interviews a fresh approach was adopted. Analysing interviews commenced from the beginning again, but various changes were made.

First, interview transcripts were analysed by group, instead of the order in which people were interviewed. Interviewees were classified into four groups: Treasury, Politicians, Audit Office Staff and Other People. Thus, interviewees' responses were compared within a group first before other groups were synthesised into the analysis. Also, it should be noted that within a group participants' views came from differing positions in their respective hierarchies. One advantage of comparing interviewees' responses within groups was to reduce motivational biases of particular people to discover what was going on.

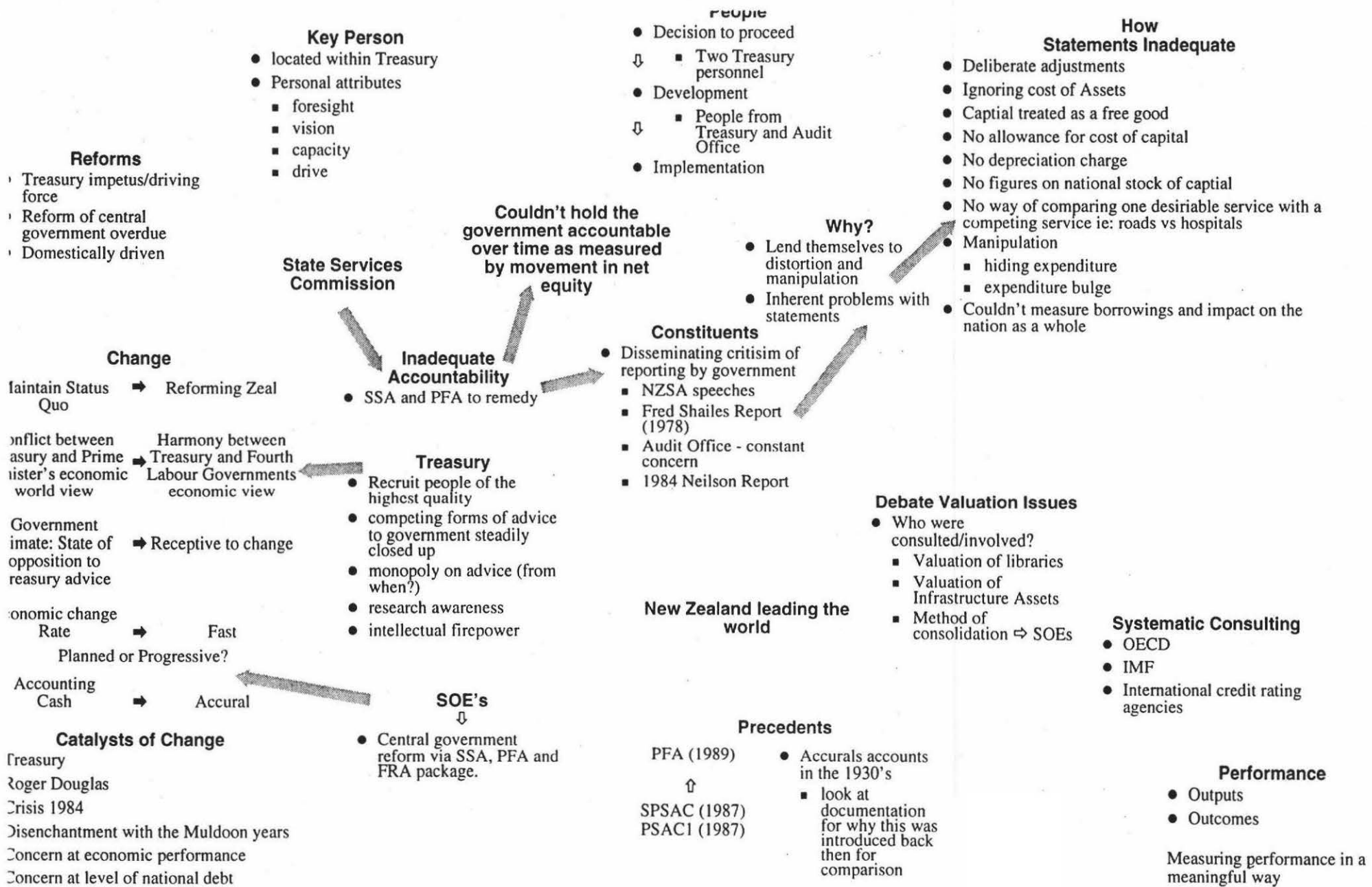
The Treasury group were analysed first because this organisation is responsible for the preparation of CFSs. Support for this approach emerged from the data collected (Please note that different participants' comments have been separated by the use of).

...I'm presuming it wouldn't have happened unless Treasury wanted it to happen.

.....

...but the intellectual drive for the new regimes was definitely from within Treasury.

Second, I began to draw diagrams identifying changes that occurred, action, interaction, conditions and influences, while doing the coding analysis. Exhibit 1 provides one illustration of the emerging patterns that were being captured in diagrams of interview data. The



Key Person

- located within Treasury
- Personal attributes
 - foresight
 - vision
 - capacity
 - drive

People

- Decision to proceed
 - ↓
 - Two Treasury personnel
- Development
 - ↓
 - People from Treasury and Audit Office
- Implementation

How Statements Inadequate

- Deliberate adjustments
- Ignoring cost of Assets
- Capital treated as a free good
- No allowance for cost of capital
- No depreciation charge
- No figures on national stock of capital
- No way of comparing one desirable service with a competing service ie: roads vs hospitals
- Manipulation
 - hiding expenditure
 - expenditure bulge
- Couldn't measure borrowings and impact on the nation as a whole

Couldn't hold the government accountable over time as measured by movement in net equity

Why?

- Lend themselves to distortion and manipulation
- Inherent problems with statements

State Services Commission

Inadequate Accountability

- SSA and PFA to remedy

Constituents

- Disseminating criticism of reporting by government
 - NZSA speeches
 - Fred Shailes Report (1978)
 - Audit Office - constant concern
 - 1984 Neilson Report

Treasury

- Recruit people of the highest quality
- competing forms of advice to government steadily closed up
- monopoly on advice (from when?)
- research awareness
- intellectual firepower

New Zealand leading the world

Debate Valuation Issues

- Who were consulted/involvement?
 - Valuation of libraries
 - Valuation of Infrastructure Assets
 - Method of consolidation => SOEs

Systematic Consulting

- OECD
- IMF
- International credit rating agencies

Change

- Maintain Status Quo → Reforming Zeal
- Conflict between Treasury and Prime Minister's economic world view → Harmony between Treasury and Fourth Labour Governments economic view
- Government attitude: State of opposition to Treasury advice → Receptive to change
- Economic change Rate → Fast
- Planned or Progressive?
- Accounting Cash → Accrual

SOE's

- Central government reform via SSA, PFA and FRA package.

Catalysts of Change

- Treasury
- Roger Douglas
- Crisis 1984
- Disenchantment with the Muldoon years
- Concern at economic performance
- Concern at level of national debt

Precedents

- PFA (1989)
- SPSAC (1987)
- PSAC1 (1987)
- Accruals accounts in the 1930's
 - look at documentation for why this was introduced back then for comparison

Performance

- Outputs
- Outcomes
- Measuring performance in a meaningful way

advantage of this was to classify and systematise emerging relationships visually, even if at the early stages these were reflected more as lists of events, actions or interactions.

Third, cutting up of the interview data was commenced on a sentence by sentence basis or by whatever grouping seemed to have a single idea after each interview had been substantively coded. The substantive codes were then sorted and grouped according to their similarities, thereby reducing the data further into more abstract codes. These were then pasted onto A3 sheets of paper in their theoretical codes. This approach was more systematic, allowing me to see patterns emerge during analysis by putting the data back together in a new way.

Fourth, I had been experiencing difficulty with some of the grounded theory techniques outlined by Strauss and Corbin. Whilst their method was helpful in the beginning to get started with the study, it became difficult to apply during the collection and analysis of data.

Because of this I embarked upon an analysis of grounded theory method advocated by them and compared it with Glaser (1992) to see if there were significant differences between the two. The summary of this analysis on a chapter by chapter basis is provided in Appendix B.

The analysis highlighted that the authors have articulated different approaches to using grounded theory procedures and techniques in addition to the fundamental difference in philosophical approach discussed in Chapter Two. Two major areas of difficulty were encountered. First, in the area of theoretical sensitivity Strauss and Corbin suggest methods such as the Flip-Flop technique be used to "open up the data", techniques which I found particularly difficult to use. This was because of the difficulty in thinking of alternative ways of viewing the data. The second difficulty encountered was the application of the paradigm model, discussed in the chapter on Axial Coding. Early on in the study I could not decide where each code fitted within the paradigm model. By contrast, Glaser suggests the use of the constant comparative method used within the data and sorting of codes to allow what is relevant to emerge.

After each interview had been analysed, the substantive codes generated were sorted onto A3 sheets of paper into higher level abstract codes. This approach was a lot easier than the relating of codes to the paradigm model. This was one of the turning points in the research process. From doing the analysis I gained confidence in the use of the grounded theory methodology in response to the problems I had encountered. I switched from procedures and techniques enunciated by Strauss and Corbin to those advocated by Glaser (1992). The modifications to the initial approach I adopted reflect the complex and evolving process of conducting a grounded theory study. Modifiability is a criterion commented upon by Glaser (1978) who explains "[a]lways something emerges that requires generating qualification of what came before, but also causing a need to hang on to what one had generated up to that point as precious and inviolate" (p.5).

In the early stages of the project most memos were either field notes or operational memos. Once all the interviews had been coded, sorted, cut and pasted onto A3 sheets, then began the process of further abstracting conceptual thinking. From a synthesis of codes clustered on A3 sheets began the process of giving these clusters of substantive codes a conceptual label. Throughout this process further sorting of excerpts also occurred where it was discovered a substantive code had been pasted to the incorrect category. During this process theoretical codes emerged that reflected the substantive codes on the A3 sheet of paper.

So, after months of collecting and analysing data, it was now reduced to one hundred and fifteen A3 sheets of extracts and their accompanying open codes, clustered into forty-seven theoretical codes that had emerged through the sorting process. Focusing on the main patterns, twenty-nine theoretical codes emerged from seventy-six (66 percent) of the A3 sheets. For the remainder of the sheets, often only one extract and substantive code was pasted onto the sheet. These were data, the relevance of which had not yet emerged in the evolving substantive theory.

The next step was to write theoretical memos for the twenty-nine theoretical codes abstracted from the process of substantive coding. To do this the various concepts developed during

substantive coding were compared for similarities, differences, properties and dimensions, to develop more abstract categories. Each theoretical memo was titled with a conceptual label and occasionally supported by extracts from interviews. In these memos dictionary meanings of words were obtained, and the properties and dimensions of the code were developed.

Then all theoretical codes and theoretical memos created (during the process of substantive coding) were sorted, compared and related to one another to discover relevant conceptual categories and the core category. It should be noted this stage involved "*conceptual sorting*, not data sorting" (Glaser, 1978, p.116; original emphasis). This was necessary to learn how the categories relate, to see how each idea fitted into the emerging theory, to explain the evolution of CFSs in New Zealand. The sorting of ideas at this stage was far easier than sorting data, primarily because there were fewer codes to deal with. The process followed is best illustrated with an example of how a category was developed.

3.1.4 Development of Categories

According to Fagerhaugh (1979, referred to in Chenitz and Swanson, 1986), the first step in developing categories is to list the substantive codes derived from the data. Table 2 illustrates the thirty-nine substantive codes derived from the data that support the conceptual category Contextual Determinants.

Upon completion of the analysis of data into substantive codes, a second level analysis began. Substantive codes were grouped into clusters by identification of similarities and differences, and labelled, further abstracting from the data. Hence, the following theoretical codes were developed: Ministerial Imperatives, Economic Imperatives, Inadequate Information for Decision Making, Problems with Financial Reporting. The example given in Table 2 shows many substantive codes included in one theoretical code.

The next step in the process was to group theoretical codes into theoretical concepts and identify the conceptual category label. In this study the theoretical concept labelled

Table 2: Development of Category Contextual Determinants

Theoretical Concept: Motivating Influences	
Substantive Coding	Theoretical Coding
Lack of accountability (3))
Lack of control of government expenditure (4))
Lack of parliamentary control on capital expenditure) Ministerial
Lack of value for money information) Imperatives
Non-responsive public sector (4))
Inadequate decision making information)
Budget blowouts (3))
Union opposition to Labour Market Changes (3))
Unproductive employment)
Ineffective financial management system)
Couldn't manage ownership interest)
Fiscal imperative (4))
Country's indebtedness)
Lack of debt management)
Fiscal mismanagement (2)) Economic
Economic trouble (4)) Imperatives
Public sector constrained private sector)
High inflation)
Credit rate dropping (2))
Untimely information)
Lack of information) Inadequate
Lack of resource allocation) Information
information) for Decision
Lack of comparative information) Making
Inadequate information (3))
Inadequate financial information)
No costing information)
Ignored non-cash entries)
Ignored book costs)
Ignored cost of assets (2))
Incorrect costing information)
Unsatisfactory nature of purely)
cash accounting)
Balance Sheet control lacking)
Accounting variation across departments)
Lack of accounting expertise (3))
Constant concern)
Manipulating reported results)
Deliberate Adjustments)
Distortion and manipulation of statements (2))
Ability to manipulate financial results)

Note: Figures in brackets refer to the number of times the issue was raised.

"Motivating Influences" was developed from grouping theoretical codes into a cluster, which subsequently became a sub-category of the category "*Contextual Determinants*". Thus, through the process of memo-writing, sorting and synthesis, theoretical concepts were developed into categories with a greater degree of abstraction, though maintaining links with the data.

The major conceptual categories that emerged are Key People, Axial Principles, Communicating Information, Contextual Determinants, Ethos, Knowledge, Information, Innovation, Action, and Consequences. The example illustrated in Table 2 and explained here provides the method by which most conceptual categories were developed.

Criteria that assisted in developing conceptual categories included the number of times the point was made by interviewees, whether participants from all groups were raising the point and the nature of the point may have made it significant. The development of the category Key People is used to illustrate the last point. Interviewees either consistently mentioned names of Key People who they believed were pivotal to the process of change, or used the term Key People. Without Key People the process of change would not have occurred.

3.1.5 Discovery of the Core Category

Analysis of the data was now focused only on discovering the core category that linked all the conceptual categories. This was seen as an essential step to focus the attention of the researcher and to facilitate writing. As outlined by Glaser (1978):

...when the analyst is still "young" at generating skills, as a sociologist and/or scholar within the area, to sample exclusively within the substantive area until focus on a basic psychological problem and the process by which it is resolved both have been discovered and stabilized in an emerging theoretical framework (p.50).

The discovery of the core category was not an easy task. Initial discovery was easy and made within a week, but the selection of the core category left me feeling uneasy (as explained in

a memo in Exhibit 2), partly because it didn't relate well to all of the conceptual categories discovered and partly because it wasn't pervasive throughout the data collected.

Exhibit 2: Theoretical Memo

Theoretical Memo: Selection of the Core Category

8 September, 1995

After identification of the conceptual categories then the process of selecting the core variable began. Within a few days a core variable that was thought everything was related emerged as "managing the public sector". This variable certainly explained all the actions taken by people and had emerged from the data.

Upon reflection however, and after reading some more grounded theory studies some doubts emerged that this was not the core category. Acknowledgement was made by the researcher to herself that further work was required to determine the core category. This process marked the departure from dealing directly with the data to using only those conceptual categories that had emerged as relevant from systematic analysis captured in memos.

By focusing only on the conceptual categories that emerged from the data the researcher was forced to see what their relationship to one another was. This process resulted in further memos being written to allow the core category to emerge.

After a more substantive period of time, going over and over the data, writing more focused memos on the conceptual categories and their sub-categories, reviewing the diagrams drawn, it became apparent that I had overlooked the process of change. This occurred because I had recorded all the changes made in a listing of change, instead of cutting out all the excerpts from interviews that indicated change. Table 3 lists all the changes that occurred as mentioned by interviewees.

Table 3
Summary of Change From Analysis of Interviews

International	
<i>Aspect</i>	<i>Change</i>
International economic policy instruments within OECD countries	From: Divergence To: Convergence →
Strands of economic thinking	Keynesian (interventionism, government regulation) → Monetarist (liberalism, markets)
National	
<i>Aspect</i>	<i>Change</i>
Change of Government	From: Centre right To: Government with strong socialist traditions →
Government Agenda	One set of issues → Another set of issues
Policy Approach	Tinkering → Reform
Macro/micro Economics	Out of balance → Achieve some sort of balance
Fiscal Policy	Increase tax revenue → Cut government expenditure
Core Government Management	Piecemeal → Systematic
Public Sector Culture	Compliance and obeying rules → Innovative and effective use of resources
Information	Inadequate → Information for decision making
Control	No ministerial control → Ministerial control
Government Approach	? → Receptive to new ideas
Strategic Approach	Not possible → Facilitated
Reporting by government	Partial → Comprehensive
Political support for financial management changes	Little → Achieved
Change in politicians' viewpoint	Reacting to latest lobbyist → Logical conceptual grounds

Table 3 (Contd ...)
Summary of Change From Analysis of Interviews

National/Organisational		
<i>Aspect</i>	<i>Change</i>	
	From	To:
Personnel issues	Centralised (State Services Commission)	→ Devolved
Monitoring regime	Ineffective	→ Sophisticated
Tools to reduce government expenditure	Crude tools	→ Tools in place
Decision making	Centralised	→ Centralised and
Technical accounting expertise	Decentralised Limited	→ Qualified Accountants
Technology	Mainframe computer	→ PC network system
Performance criteria	None	→ Rewards and sanctions
Shape	<i>Ad hoc</i>	→ Systematic
Accounting	Cash	→ Accrual
Organisational		
<i>Aspect</i>	<i>Change</i>	
	From:	To:
Appropriation system	Cost of inputs	→ Cost of outputs
Degree of change	Traditional	→ Innovative
Organisational change	Trading departments	→ State-owned enterprises
Accountability Chief Executives	Little	→ Exercise accountability through contracts
Central Financial Controller, Treasury	None	→ Position created
Departmental accounting systems	None	→ Established own systems
Treasury role	Processors of accounting information	→ Monitoring accounting information
Responsibility for financial information	Treasury	→ Chief executives of departments, etc
Contingent liabilities and guarantees	Some disclosure	→ All contingent liabilities and guarantees to be disclosed
Savings made within department	None	→ Being made and department keeping the money
Management information at departmental level	SIGMA cheques	→ Comprehensive information
SSC Head	Probine	→ Deane
Treasury Financial Management Policy Activity	None	→ Policy group established

Thus, the basic social process that linked all of the conceptual categories was discovered as the Process of Change. This time the discovery of the core category had fit, work and relevance. Also there was a feeling that "yes" this is what it was all about. So, in a period of nearly seven weeks, after coding and analysing the data had finished, I had discovered the core category and developed a substantive theoretical framework to analyse the research problem.

The next stage was to discuss the substantive framework with the persons who provided the raw information from which it was derived. This is an important step: participants in the study should see the theory as "useful" because it "gives traction over action; it makes sense, by making theoretical sense of common sense" (Glaser, 1978, p.14).

Interviewees were contacted by letter requesting a second interview (refer Appendix H). Of the thirteen interviewees, two were unavailable and one declined to be interviewed, therefore, ten second interviews were conducted. Second interviews were undertaken in November 1995 (one), December 1995 (eight) and January 1996 (one). All second interviews were audio-taped; however, only relevant extracts that contributed to the substantive theory were transcribed and later used in the study.

At the beginning of each interview a brief introductory statement outlining the purpose of the interview was given. Interviews were of an hour duration and all interviewees expressed comments on each conceptual category outlined. Moreover, none of the participants interviewed disagreed with the conceptual categories which describe and explain the evolution of CFSs in New Zealand, although some peripheral comments were made.

3.2 SUMMARY

This chapter has summarised the process employed in obtaining and analysing the data leading to the development of a substantive theoretical framework. Additionally, tables have

been used to illustrate the task of open (substantive) coding of interview data, development of a conceptual category from substantive coding, and a summary of change from analysis of all first interviews, was presented. An early analysis of interview data was illustrated in Exhibit 1. The problems encountered and their resolution during this study, as highlighted here, demonstrate the flexibility of the grounded theory method.

CHAPTER FOUR

THE PROCESS OF CHANGE

4.0 INTRODUCTION

The process of change leading to the introduction of CFSs has been derived from a synthesis of the data using the grounded theory method of analysis. The main elements of the framework consist of a core category, i.e., the Process of Change, and six auxiliary categories, i.e., Key People, Axial Principles, Communicating Ideas, Contextual Determinants, Ethos and Knowledge. The purpose of this chapter is to define and explain each category. The following discussion is presented in a sequential order; however, it should be noted that each category influenced and was influenced by other categories.

4.1 KEY PEOPLE

During interviews, participants consistently identified Key People who were influential or involved in the evolution of CFSs. The term Key People was derived from words used by some of the participants and is pivotal to the Process of Change. For this study the category is defined as persons (either individually or collectively) working towards a desired end. Additionally, the influence of Key People is not restricted to those within the public sector. Kelsey (1995) identifies individuals from the private sector who played an essential role in the broader change process. This category is significant in explaining the Process of Change generally within the New Zealand economy, and in particular the evolution of CFSs.

Key People interviewed were aware of and concerned with the performance of New Zealand's economy, public sector management and governmental accounting. These concerns had arisen over a period of time and in different ways. Key People had interpreted, and reflected on the situation, considering various courses of action.

Characteristics of Key People that emerged from the data collected are that they (the Key People) had the ability to recognise opportunities, the capacity, commitment, conceptual acumen, drive, energy, vision, and willingness to accept change. They were also influential, supportive and trustworthy. Besides Key People with power to initiate and implement change, the category also incorporates Key People with a specific role that contributed to the evolution of CFSs.

Of the thirteen Key People interviewed for this study, one politician and two individuals from Treasury stood out. At the ministerial level the politician was influential. The philosophy of the politician is described by Oliver (1987) who suggests the removal of political influence from government economic policy has always been a central theme. Earlier, in the more interventionist era, this philosophy manifested itself in a concern to isolate various regions of government activity and policy from ministers. The subsequent swing to a deregulatory and market led approach was consistent with this basic theme. As Oliver (1987, p.11) states, "transferral of decision making to the market is par excellence the means of preventing "political" influence over economic decision making". As remarked on by Campbell, this politician should be regarded as "an agent of change rather than as the prime mover" (Douglas, 1987, p.8).

The two key influential individuals from Treasury were the new chief executive who was promoted from within Treasury in 1986, and the Director of Financial Management Support Service employed in 1987, both doctorally qualified. Mitnick (1980) describes the influence of small changes of personnel in a bureaucracy:

The major effects on the growth and decline of bureaus have their sources in factors in the environment of the bureau, though relatively small changes in the composition of the personnel in the bureau may have substantial impact. Downs argues that if officials in key posts are preponderantly of one type (conservatives, zealots, etc.,) "the bureau and its behaviour will be *dominated* by the traits typical of that type" (Downs, 1967, p.11). He explains the dynamics of growth and decline largely in terms of changes in bureau composition due to changes in the environment (pp.56-57).

The quality of management practices in New Zealand in both the private and public sectors is an area the new chief executive talked about in an address to the New Zealand Institute of Management's Wellington division. One of the deficiencies identified was that "past policies in New Zealand did not offer incentives for companies or public-sector organisations to develop world-class management practices" (Management, 1992, p.98). The changes implemented within Treasury since 1986 by the new chief executive are captured in the following:

My own department barely resembles the one I inherited in 1986...we've shed functions and returned to core business, closed regional offices, restructured, flattened the management layers, and introduced modern management systems in almost every part of the department (Management, 1992, p.98).

Thus an intervening factor, the election of the Fourth Labour Government in July 1984, created a change in Treasury's external environment. Likewise, the appointment of a new Secretary to the Treasury brought about a change in Treasury's internal environment.

The new director of Financial Management Support Service was acknowledged by participants as being influential within Treasury, and the New Zealand Society of Accountants (NZSA).

He was the key man in the sense that if it was going to happen it had to be driven from Treasury and Treasury was fortunate that it had a man on the ground that had the foresight, capacity, and vision to turn the concept into reality.

.....

And I think you could never underestimate what the influence that people like...had. Someone like ... appearing on the scene who had a pretty clear sense of what needed to be done and a willingness inside the Treasury to pick up financial management as an issue.

.....

...he's had a major impact in terms of the direction and - very highly respected by everyone in all sectors, and as a result when...was unhappy with something then people tended to take notice. And if...was happy with an issue equally people knew, well most likely they were on the right track.

These quotes reveal two things. First, a Key Person working within Treasury had widespread influence, capacity, conceptual acumen, drive, vision and authority to promote and initiate change. Second, there had to be a willingness within Treasury to pick up the issue of financial management. The issue of public sector reform had been signalled in both *Economic Management* (Treasury, 1984a, chapter 13) and *Government Management* (Treasury, 1987). Yet for public sector management reform to go ahead, it was necessary to get political support to make this change occur. An Audit Office participant describes the significance of political support:

That was the key step to show the politicians why it would be useful rather than simply a good idea propounded by accountants. And, that was the step that, once taken, allowed progress to be made but, it's not an easy one to achieve.

The contribution of other people includes filling specific roles, such as the preparation of Crown Accounting Policies, managing change through the parliamentary processes or the work of accountants in departments in getting new accounting systems up and running.

The interactive nature of Key People with the other categories, Ethos, Knowledge, and Contextual Determinants for example, is apparent. This highlights the fact that each category cannot be seen in isolation, but must be considered in relationship to other categories, for the Process of Change was not caused by any particular group of people. The term "Process of Change" has a much broader meaning, it encompasses the explanation of the process by which the change took place - in other words, how the influencing factors, through interaction, brought about change.

4.2 AXIAL PRINCIPLES

Various interviewees talked about principles, concepts and ideas. Upon reflection of the relevant interview extracts, reading the literature and consulting the dictionary, the term Axial Principles was deemed to capture the essence of what interviewees were saying. The term is derived from its use by Bell (1973) to denote the centrality of theoretical concepts. For analytical purposes, Bell, in his book *The Coming of Post Industrial Society* (1973), developed a conceptual schema dividing societies into three era's: the pre-industrial (agricultural), industrial (goods producing) and post-industrial (an information or knowledge society). In post-industrial society, Bell suggests, there is "a change in the axis of abstraction from empiricism or trial-and-error tinkering to theory and the codification of theoretical knowledge for directing innovation and the formulation of policy" (p.487).

In *Government Management* (Treasury, 1987, p.48) seven Axial Principles were enumerated and defined: clarify objectives, transparency, avoidance of capture, incentives, information, accountability and contestability. These principles provided a structural framework and guided subsequent action by policy makers in public sector management reform.

The systematic application of principles in the formulation of policy has enabled the framework developed to be both comprehensive and robust. In the words of one politician,

And I think if you look at what we did, we consistently applied the principles and went all the way and that's true in tax, corporatisation, financial market reform. Most of those things we said had some principles like neutrality, transparency, all those things, reasonably well defined, and therefore we became quite predictable and if you have a good framework the rest is pretty much nuts and bolts.

Axial Principles have been embedded in legislation such as, the State-Owned Enterprises (SOE) Act (1986), the State Sector Act (SSA) (1988) and the Public Finance Act (PFA) (1989). In the PFA the concepts Outputs and Outcomes are defined. Both concepts were developed from the academic literature on public sector financial management (see

Ramanathan, 1982). One Treasury interviewee explained how Axial Principles were captured in the PFA:

The notion of purchase and ownership was effectively captured in law through the way we specified appropriations, that is, classes of outputs, capital contributions. One is an ownership type appropriation and the other is a purchase type appropriation.

People involved with the accounting reforms thought about issues in conceptual terms, reflecting the centrality of Axial Principles. The essence of this is captured in the following comments from one Audit Office participant and a participant from the Other People group respectively.

We had a group of politicians and a Select Committee that took the issues and really worked through them, and so with every iteration of the Public Finance Act it became easier because they were really hooked into all the concepts that underlay it.

And there were enough people round interested in principles and concepts to keep saying "hold on, what exactly are we trying to achieve. Let's get that and let's translate that into something, that no matter what we do, we make sure we achieve these principles, and we are consistent with the concepts as laid out".

.....

And we had a particular wave of politicians who started to look at things on more logical conceptual grounds, at that particular point in time.

Conceptual considerations played a large part in the New Zealand reforms. Two theoretical concepts support this conceptual category: Incentives and Removal Of Political Interference.

4.2.1 Incentives

The term Incentives arose from the data as significant. Although listed as one of the seven principles enumerated in *Government Management* (Treasury, 1987), it is discussed here separately because Incentives were pivotal to the Process of Change.

incentives were used to motivate action, as a catalyst for change. The following four extracts taken from two Treasury interviewees and one each from the Audit Office and Politician group reflect the centrality of Incentives as an Axial Principle:

It was because the incentives were right it comes back to that issue of incentives. Create the right incentives and you are more likely to get the right behaviour.

.....

Basically - when you boil that down, it basically means they've got to know what they're doing and be able to report what they're doing and there wasn't very many departments that were wanting to hold out their hands saying we don't know what we're doing and we can't report on what we're doing. So there was that incentive on the departments to move quickly to mode B.

.....

And I think, again I may be at a level you don't want me to be at but, what I believe distinguishes what we have done here with financial management, with accrual accounting, with reporting and agency and the whole of government level - all of those reforms have been underpinned by a desire to get the incentive structures right for effective management.

.....

And you don't have to run or own a business if you are a government in order to get what you want. You set up the appropriate framework, you get the incentives right.

Arguably, providing the right incentives to people kept the Process of Change moving forward.

And we'd seen the results of the SOE's, where loss making operations had turned into profit-making operations and that had been done by changing the culture, changing the accountabilities, making clear what the objectives of the place were, and providing incentives to manage towards those.

At the organisational level, motivation of staff within Treasury to get abreast of the theoretical literature was spoken about by one interviewee.

I think that some people haven't understood that...they really have been given the freedom under ... within The Treasury to get really involved, understand all the issues, to do research, to go to conferences, they all go to AAANZ at least every year...

Also, Incentives played a role in influencing change that occurred within the NZSA in the late eighties and early nineties. Since there is only one professional accountancy body in New Zealand, membership of committees is made up of both private and public sector people, with policy makers from Treasury on some of these committees. It appears that this was a deliberate strategy:

And they didn't make much of a secret of it - I mean it was in their - some of them it was in their contracts, that they would participate and work within the Society of Accountants processes and all that sort of thing.

Analysis of the composition of the various committees within the NZSA does not reflect any bias towards particular individuals. However, there is evidence to suggest that some individuals were influential.

...it was interesting though the way the public sector did have a significant input through that whole process and admittedly through only a small number of people.

4.2.2 Removal of Political Interference

The term Removal Of Political Interference is one that the author developed from excerpts. The term is used in the sense of removing government interference from day to day administration. Two extracts from politicians illustrate this sub-category:

...everything about government now is arms removed. Monetary policy is contracted to the Reserve Bank, fiscal outcomes now deputed to Treasury, the labour market to God and all these other - health system is a classic example.

.....

Well more responsible and accountable, get the politicians out of it, give them an appropriate set of incentives, get them to make money like any other business is supposed to.

One interviewee during the second interview felt uncomfortable with the term Removal of Political Interference. They believed it should be stated as clarification of the roles and responsibilities of Ministers and chief executives, rather than Removal of Political Interference, because ministers were still required to be involved in strategic decisions of an entity, but management of resources would be in the hands of chief executives.

Notwithstanding this, though not always stated explicitly, there is evidence to suggest Removal Of Political Interference was an Axial Principle. This concept has been applied to economic policy, legislation and accounting. In economic policy, for example, the exchange rate was floated in March 1985. This put the control of the exchange rate beyond politicians who could become captured by special interests (Scott, 1995). The following acts of parliament all reflect the delegation of powers: SOE Act (1986), SSA (1988), PFA (1989) and the Reserve Bank Act (RBA) (1989). More recently this influence is apparent in the Employment Contracts Act (ECA) (1991).

In terms of financial reporting, the adoption of accrual accounting techniques in compliance with generally accepted accounting (GAAP) would also remove political interference in financial reporting. This would overcome some problems encountered with financial reporting identified by some participants. As one Treasury interviewee stated:

In the sense that government being willing to tie its own hands in certain ways, like, by making governments financial reporting subject to the Accounting Standards Review Board it does in effect put the accounting rules beyond its own control. Government can't change the way we report something because it would be inconvenient. Certain cases of that have occurred in the past where it's hard to justify a particular accounting treatment, but that's what the government of the day wanted.

Other reasons for compliance with GAAP include it was more pragmatic to adopt established GAAP than develop public sector accounting GAAP. Also, GAAP would provide some uniformity of treatment of accounting issues that arose between the Crown and its various sub-entities.

One suggested reason for this philosophy is to counteract the influence of power displayed during the Muldoon years when power was centred around one individual who was both the Prime Minister and Minister of Finance for the period 1975-1984. Delegating power down the chain would avoid the interventionism of the Muldoon years recurring by ensuring political interference is reduced. The underlying assumption is politicians could not introduce policies with short term gains and long term consequences at political will.

It is the development of principles into a robust framework that made the reform process in New Zealand more comprehensive than anywhere else in the world: it was not conducted in an ad-hoc manner. As discussed above the reform process was systematically developed and guided by Axial Principles. These were either defined in *Government Management* (Treasury, 1987) or implicit such as Removal of Political Interference which emerged from the data and analysis of legislation.

Axial Principles are reflected in the CFSs. These underlying concepts are: reporting entity, revenue and expenses of the Crown, balance between total operating revenue and total operating expenses, and net worth of the Crown. The preparation of CFSs on an accrual rather than a cash accounting basis provides a new way of measuring and reporting the activities of the Crown and its assets and liabilities.

4.3 COMMUNICATING IDEAS

A lot of thought went into finding a term that adequately captured all the elements suggested by the theoretical codes. With the aid of a dictionary search, and reflecting on the data, the

term Communicating Ideas was formulated to capture the essential components. The conceptual category of Communicating Ideas represents people using various means to convey ideas, information, intentions, and plans to gain support. Communicating conveys the dictionary meaning of the word communicate "to impart (knowledge) or exchange (thoughts) by speech, writing, gestures, etc" (Collins, 1993, p.218) and Ideas are defined as "a belief, opinion" (Collins, 1993, p.559).

From using the grounded theory techniques of questioning and constantly comparing the data, the diverse substantive codes were then grouped into higher level abstract theoretical codes. These were: Interaction, Disseminate Information and Conditioning Going On.

4.3.1 Interaction

From the data many interactive strategies emerged that were used continually to communicate, develop, test and implement change such as, consulting, debate, discussion, dialogue, negotiation, networking, persuasion and the establishment of working party groups within Treasury. What all these strategies have in common is an element of reciprocal influence at either a formal or informal level. The influence of these is described by one interviewee:

The formal takes the masses, the informal takes the influential.

At the international level, agencies that consult with the government and with Treasury on a regular basis are the Organisation for Economic Co-Operation and Development (OECD), the International Monetary Fund (IMF) and credit rating agencies such as Standard and Poor's and Moody's. The following two excerpts from two politicians discuss communication at the international level.

In your international audience you have got the rating agencies. I would visit the rating agencies at least once a year if not more, if warranted. So there was a regular dialogue and it was a dialogue in confidence, obviously, so they are like our bankers even though they do not front up with the money. They have a good deal to do with

the basis upon which we are able to attract capital and so was in our interest to keep talking with them all the time. You have then got outside of that but still in the international circuit, the OECD, and the IMF where we will generally discuss that material with them after the event.

.....

And one can't overlook the international connections. Treasury has a wealth of international interaction with constant visits and constant awareness, constant knowledge, constant electronic communications, they live in a world which they inhabit partly in New Zealand, partly in the minds of every other new rightist throughout the electronic network...

Founded in 1961, the OECD has two fundamental purposes: first, achievement of the highest possible economic growth, employment and living standards in member countries and second, to emphasise the maintenance of financial stability. It is a consultative organisation collecting vast amounts of information on economic and social matters, reporting regularly. Lacking power to enforce its decisions, it is nevertheless considered to have considerable influence as an advisory body.

According to Graham (1994), a country's rating is an independent assessment of the government's willingness and ability to meet interest and principal repayments on its external debt obligations. The higher the rating, the cheaper it is to borrow money or roll over the debt. Standard and Poor's consider key indicators (economic and political) and future prospects that could affect a country's performance. The fiscal policy of a country preferring repayment of overseas debt in preference to increased public expenditure would be a good signal on the assumption the gains are sustainable. The credit rating agency cannot enforce policy on government but the relationship is skewed in their favour if a government is dependent on borrowing. As one politician explained,

Most of them of course as I have said have an element not just of a retrospective assessment but what they require in the way of proactive change and to a large extent if you are dependent or know you are going to be dependent longer term on borrowing and you are going to be subject to disadvantage of higher rates if you get adverse ratings or a poor review taken then you tend to do what is suggested as the

lubricator of advantage to you and which is to follow their prescription in some way or another.

As the field work progressed, the interaction of interviewees within and amongst the various participant groups and their constituents became evident. At the national level, one interviewee stated that "ministers operate as people who licence the intellectual energy of others...". This term illustrates the reciprocal relationship between ministers and bureaucrats which is further illustrated in the following:

Obviously the design of the financial management reform went to Cabinet for approval but the Ministers were relatively little involved in the design process, in the development of the ideas as that took place.

Experts within the Wellington community were consulted on the issue of the proper accounting treatment of SOEs in the CFSs. This issue was also debated at the organisational level within Treasury. As one Treasury participant explained:

We had in here been having some quite long and difficult, in the sense that it took quite a long while to resolve, debate about whether or not the SOE's should be consolidated or equity accounted in the Crown Financial Statements.

At the sub-organisational level, multi-disciplinary working parties were established within Treasury. People on these working parties came from differing professional backgrounds, for example economists as well as accountants. This facilitated the "cross fertilisation of ideas" (Pallot, 1994, 1992a) of differing information perspectives being captured in the development of concepts for public sector management reforms and financial management reform. As one Audit Office participant stated:

So when those working parties were pulled together they were drawn from the various branches of Treasury - not necessarily, and they weren't necessarily accountants.

However, cross fertilisation of ideas extends beyond organisational and institutional arrangements already discussed but also occurs between bureaucrats and politicians. Since 1975 Opposition parties have had Treasury staff seconded to them. This process enables opposition shadow ministers to be briefed by Treasury staff. Two politicians recall their experiences in the following extracts.

Yes, yes. Oh we had two or three, you're right. I would have certainly had a considerable contact with all of those people. ... was one, I think ... was another, probably more than that - those are the two I can remember. More particularly when I was opposition spokes[person] on finance but I would have had contact with them before that.

.....

...that was important and people like... and... and..., they came to see me...and that was a very important part of locking in...these reforms so that the Government agencies knew that it wasn't a light switch policy that...there was a concerted all-party determination to proceed on that basis.

4.3.2 Disseminate Information

A key component of the category Communicating Ideas is the sub-category Disseminate Information. Because of its nature, this substantive code was deemed significant and occurred within all levels of the conditional matrix illustrated in Chapter Two.

Two ways to distribute information emerged from the data: verbal and written. Verbal information includes conferences, conventions, discussion groups, speeches, seminars and interactional strategies already discussed. Within the New Zealand Society of Accountants, various forums that disseminated information about financial reporting by government were held during the mid eighties.

Written communication is disseminated through academic and professional journals, books, conference papers, electronic media, papers and reports prepared by various research organisations, and the print media. Morrison (1993, p.9) provides an example where information was disseminated through the print media.

In the year or so before Sir Robert Muldoon was defeated, the Treasury held "off the record" briefings in which journalists were fed details about the parlous state of the economy. I was one. I would draft articles and my Treasury contacts would check them out, lending their anonymous authority and accuracy to the published product. I wrote believing, as I still do, that the country could not sustain the borrow and hope, regulate and subsidise policies of Muldoonism.

Some ideas that, with hindsight, can be described as signals of change include books written by two Politicians who became senior ministers within the Fourth Labour Government; Post Election Briefing Papers published since 1984; and papers disseminated by various groups such as the Centre for Independent Studies, the Business Roundtable, the Institute of Policy Studies and the Strategic Management Group. A point worth noting is that all these groups are research oriented, and the last three are based in Wellington.

Three signals for accounting change in the public sector identified by participants during interviews were:

1. A report by the Controller and Auditor General on *Financial Management and Control in Administrative Government Departments* of 1978 (Commonly called the Shailes Report after the then Auditor General);
2. A New Zealand Planning Council Paper (No. 11) titled *Measuring the Cost of Government Services* by Dr Ian Ball (1981).
3. The 1984 Report of the Public Expenditure Committee titled *Report on Format and Content of the Estimates and the Public Accounts* (also known as the Neilson Report).

The Shailes Report was critical of financial management in administrative departments. In this report, criticisms of accounting in the public sector included a shortage of competent accountants, a centralised accounting system that was providing inadequate information, a lack of leadership in financial management and the need to shift the Crown balance date to 30 June. One Treasury participant described the inadequate accounting information prepared prior to the introduction of accrual accounting techniques.

Well, departments didn't have any systems. They used to write up their vouchers and send them into Treasury, and Treasury would write the cheques, send the cheque out and give them the voucher back. And there used to be a thing called the DAS, the Daily Accounting Statement, which had transactions on it. It was basically a transaction list, that was all they had.

Ball (1981) makes recommendations for general and specific reforms in government accounting information to be implemented in incremental steps. He advocates a revised definition of the reporting entity concept be adopted and the use of accrual accounting techniques to give better information to users of the statements (internal and external). Two of the underlying assumptions outlined in this paper suggested that the accounting process in the public sector was providing information that was neither user oriented nor useful for informed decision making. A consequence of inadequate information for decision making is the inefficient allocation of national resources.

The Neilson Report (1984) outlined ten recommendations for an improved financial reporting framework and signalled directions for future change. These included departments to define their objectives and develop appropriate performance indicators, the adoption by trading and service departments of full accrual accounting techniques where pricing decisions were involved, a full listing of contingent liabilities entered into on behalf of the Crown and valuation of significant assets at replacement cost where appropriate. The Public Accounts were also discussed and three criticisms are worth noting. First, the Public Accounts were prepared on a cash basis and did not facilitate financial analysis by users of government financial information. Second, not all public sector activity was included and, finally, not all contingent liabilities entered into by all ministers were accounted for.

4.3.3 Conditioning Going On

The term "conditioning going on" is an *in vivo* code that emerged from the words of one of the participants in the following extract.

I mean the statement of Public Sector Accounting Concepts and the work that had gone on in that group within the Society over a number of years had certainly created a climate in which there was very little resistance to the idea amongst departmental finance officers, whereas in other governments I think we'd have struck that, and so there had been a conditioning going on.

This conditioning going on was used to facilitate the management of change. Four examples are given of the influence of this theoretical concept. First, at the international level consultations were conducted to keep the international agencies informed of forthcoming changes in accounting for central government activities.

On the contrary, we went out of our way through this process to keep some of these informed, because we thought it had implications for them. But it was very much a matter of explaining to them why we thought these things were important and how they might be useful, rather than them coming to us and saying we think you ought to be doing this.

Second, after the initial design work had been done, when working parties were set up within Treasury, Audit Office support was obtained.

The Treasury I think in fairness to them saw that there was some merit in having Audit Office input into their process simply because the Audit Office had made a lot of noises about the whole area of financial management, accountability and it was I suspect from their perspective wise to get our input before the event rather than after the event because you know ultimately it was going to be something that would be, lead to a revision of the Public Finance Act, therefore sensible to have our input.

Third, during the collection phase of financial information, Treasury staff consulted with departments.

The collection phase, I mean that was really where you were going out to the departments explaining why you wanted the information, going through all this line by line of what it was for. And we had sort of dry runs each of the six months prior to December '91 when we produced the first balance sheet.

Finally, before publication of the first set of CFSs, consultations by Treasury staff were conducted with constituents in the Wellington community.

So the two of us, I worked on the context of the statements if you like and the fiscal measures and what the shift to accrual based reporting would mean and how to explain that to the world outside - analysts, MP's and so on , the media and ... did the accounting policies format and then together we each produced our own bits of work, we went around town and, and consulted about ten or eleven financial and academic analysts in Wellington. We went to a number of banks, broking firms, also Victoria University Accounting Department, went into the Society of Accountants...and had very useful meetings which we wrote up at some length at the time as it helped us further the work.

Analysis of the data revealed that diverse forms of communication within the political economy setting were influencing and influenced by Key People and, thus, having an impact on the shape of change. Indeed, it became evident that communication was an essential element in disseminating ideas and managing the process of change.

CFSs are a tool for communicating information about the management of Government's resources to users (internal and external) of the statements. They give visibility to new concepts such as operating surplus or deficit, total assets, total liabilities and net worth.

4.4 CONTEXTUAL DETERMINANTS

The Contextual Determinants are those factors within the New Zealand context which exert an influence on the Process of Change. This term was developed upon reflection and following a dictionary search of the most appropriate wording to describe the group of factors that emerged from the data as exerting a significant influence. Contextual is used to refer to "circumstances that are relevant to an event" (Collins, 1993, p.236); Determinants are "factors that influence" (Collins, 1993, p.302) the context.

The large number of codes representing factors that seemed to be influencing the passage was reduced to three: Economic Policy Convergence; Motivating Influences; and Political System in New Zealand. Also, the substantive code Small Community emerged as significant.

4.4.1 Economic Policy Convergence

Various substantive codes such as "worldwide trend", "internationalisation of economic policy", "international convergence of economic ideas", "economic policy linkages" and "orthodox economic policy" were grouped to form the theoretical concept Economic Policy Convergence. The concept is significant because it reflects convergence of economic policy in the world. There has been a trend within OECD countries and internationally to adopt orthodox economic policies or market oriented economics. This trend is commented upon by one participant from Treasury and two politicians.

But you have got to remember that New Zealand found itself in 1984 in a place that was really very eccentric internationally. That the way in which we were managing New Zealand looked nothing like what you would see in any other OECD country.

.....

So you saw most countries opening up their financial markets, there was quite a lot of privatisation, you saw better monetary policy, so lower inflation, all those things. There is a trend world wide - some countries did it better than others.

.....

There is the underlying thesis of those who direct international money that governments are an impediment to the market and that greater efficiency lies in the withdrawal of government from forms of intervention.

To determine when Treasury made a paradigm shift from neo-Keynesian interventionist economic policies to market oriented non-interventionist policies, Post Election Briefing (PEB) papers covering the period 1972 - 1981 (inclusive) held at the National Archives were searched. Unfortunately the 1978 PEB papers could not be found. The 1972 and 1975 PEBs

support an interventionist approach to economic policy. The 1981 PEB supports a more market non-interventionist approach to economic policy. Without documentary evidence such as that which might be contained in the 1978 PEB paper, one can only speculate when Treasury made the paradigm shift. However, it can be said with certainty that it occurred within Treasury at least three years before the 1984 election.

In New Zealand, what was interesting is that it was a Labour Government (traditionally socialist) rather than a National Government (traditionally conservative) that adopted these ideas and rejected interventionist policies. As one Treasury participant stated:

But it was unusual in the New Zealand situation that we didn't traditionally associate our particular socialist party with some of those things, they moved more into the international mainstream.

In terms of economic policy and the shift to a more market oriented non-interventionist approach, Key People in New Zealand who shaped the reforms were influenced by Knowledge (theoretical and experiential) from other countries and from within New Zealand. Motivating influences from within New Zealand are discussed in the next section.

4.4.2 Motivating Influences

The theoretical concept Motivating Influences was developed by grouping substantive codes according to similarities and differences. This process was explained and illustrated in Table 2, Chapter Three under the section Development of Categories. Each of the theoretical codes (Economic Imperatives, Ministerial Imperatives, Inadequate Information for Decision Making and Problems with Financial Reporting) that support this concept will now be explained.

The contingent factor that set New Zealand on the path of reform was the snap election held on 14 July 1984. Within four days of the National party's election defeat the Prime Minister

Robert Muldoon (later Sir, and Minister of Finance 1975-1984) devalued the New Zealand dollar by twenty percent. This event would be the catalyst for economic change. Although this event was dramatic, focusing on this aspect overlooks the internal workings of the Fourth Labour Government. In the words of one politician,

In some ways perhaps the most significant consequence of that period was the fact that we survived it and survived it I think reasonably well and then felt confident in our own management that we had come through what could have been a very debilitating experience, was certainly a very challenging one. We felt good for example in the way in which we had operated collectively as a Cabinet. No one person, despite...obvious role in determining how that crisis should be managed...we put it behind us fairly rapidly but in the first few weeks it was as much something that gave us confidence as something that shaped the substance of what followed.

More influential were the wider economic problems facing New Zealand in 1984 such as double digit inflation, persistent deficits, and a progressive decline in the standard of living as measured by Gross Domestic Product (GDP) per capita (see Scott, Bushnell and Sallee, 1990).

In response to these problems, a consistent, comprehensive approach was adopted. This was in contrast to the previous administration's approach whereby change was introduced on an *ad hoc* basis. For example, increasing agricultural exports was one way of addressing the balance of payments deficit. However, exports were promoted by agricultural subsidies which increased government expenditure.

Various ministerial imperatives were identified during substantive coding. Some of the concerns expressed in these codes are summarised in a recent address given by Sir Geoffrey Palmer (Deputy Leader of the Fourth Labour Government 1984-1989, Prime Minister 1989-1990), to the 1995 New Zealand Society of Accountants Public Sector Convention, the title of which was "Reflections on Reform of the New Zealand Public Sector". He stated:

I shall never forget the experience of being a new Minister of a reformist Government in 1984 when we were confronted with a whole range of economic problems which demonstrated the Government was not really in command of the public policy of the country at all. Expenditure was driven by forces beyond the Government's control. We were elected to be the Government. We thought we should be. We set about bringing about the conditions that allowed us to control the levels of Government expenditure and priorities....The State-Owned Enterprises Act 1986, the Public Finance Act 1989 and the State Sector Act 1988 were all driven by that imperative (p.2).

The theoretical codes "inadequate information for decision making" and "problems with financial reporting" emerged from grouping various substantive codes illustrated in Table 2. Participants from The Treasury and Audit Office as well as politicians all expressed concern about these issues.

4.4.3 Political System in New Zealand

The political system existing in New Zealand was a significant factor. It is distinctive in that there is only one legislative chamber in contrast to Australia where there are State and Federal Governments with two houses of Parliament at each level. The effect of this is that in Australia any potential legislation must be passed by *both* houses before it becomes an act of parliament. By contrast, in New Zealand, if the government has a majority in the house, it can pass whatever laws it decides are worthwhile. The significance of this is that "the New Zealand Government can, if it so chooses, act relatively quickly and decisively on matters such as management reform" (Ball, 1994, p.20).

The introduction of the SSA (1988) illustrates the speed with which legislation can be passed in New Zealand. The Bill was introduced on 10 December 1987 and took effect on 1 April 1988. The bill was introduced without warning and the whole process has been described by Kelsey (1993) as "essentially non-negotiable" (p.99).

4.4.4 Small Community

The substantive code Small Community emerged as significant. Wellington is the capital of New Zealand with a city population of approximately 150,000 (1991, Census). Parliament is based in Wellington as are the head offices of the major banks and commercial institutions. In addition, the city is home to Treasury, the Reserve Bank, the New Zealand Stock Exchange, the Office of the Controller and Auditor General, Audit Office, the New Zealand Society of Accountants and Victoria University of Wellington.

The term Small Community is used to reflect that some of the Key People were influential in more than one capacity. As one interviewee explained:

...one of my observations about that reform period was that it was almost unnerving that the same people used to appear in different capacities.

In this section many mutually shaping influences within the broader accounting environment were discussed. All of these factors either directly or indirectly influenced the initiative to prepare accruals-based CFSs in New Zealand.

4.5 ETHOS

The word Ethos was selected after a dictionary search and after reflecting on various substantive codes, such as "coalescence of interests", "collaboration of interests", "people with common views" and "ethos of change". The term Ethos encapsulates the essential features expressed in the substantive codes. Ethos is defined here in the dictionary sense as "the distinctive character, spirit, and attitudes of a people, [community], culture, era, etc.," (Collins,

1993, p.384). This tendency for various parties' interests to come together emerged from the interview data and reflects Key People interacting within and between each level described by the conditional matrix illustrated in Chapter Two.

One politician described the Ethos that existed in the Wellington community when the Fourth Labour Government was in office.

...all these other characters who have gone out suddenly had the unique opportunity to be in a Greek chorus endorsing, leading, cajoling, those people in Treasury who wanted to go ahead with this agenda.

The Process of Change that occurred at the economic level can be associated with a distinguishable Ethos between Treasury and the Fourth Labour Government. As one Audit Office participant explained

And there was a very close identity of view between Treasury and the Fourth Labour Government's approach to economic matters and Treasury was on a roll.

Without Ethos existing between politicians, Treasury and the State Services Commission, the "bureaucratic revolution", described by Boston et al., (1991), could not have occurred.

...you had a senior management team within Treasury...which basically came together at a time when we had a government which was receptive to reform and I think it was with those sorts of factors that, that made it possible.

.....

And so after the 1987 election in November, December 1987, meetings of top Ministers were held in which they reviewed the advice which had been worked up by the Treasury and the Commission and decided to put this framework in place which is represented by the Public Finance Act and the State Sector Act.

The election of the Fourth Labour Government was the event that caused a change in strategies implemented by Government. Since July 1984 there has been a coalescence of interest between Government and successive Ministers of Finance.

Treasury are very fortunate in that they had successive ministers who were at one with them from the total antipathy of the Muldoon/Treasury relationship to the complicity of the Douglas, Caygill and then Ruth Richardson era that enabled that enormous change to take place.

Apparently there was an incompatibility of ideas, or little Ethos between Treasury and the Muldoon administration and the relationship has been variously described:

But you have to come back to what I am talking about Treasury. Treasury was before we became government the beleaguered repository of a line of philosophy which the previous minister found repugnant and many who couldn't stand it had left.

.....

Terribly frustrated prior to 1984 because their views on the world were not Muldoon's views of how the world should be, and so they were rubbished by Muldoon and they found it pretty frustrating.

Certain key individuals could see the need for change. The election of the Fourth Labour Government created an *opportunity* in politics for a series of new ideas to be considered on the political agenda. Opportunity, here, is used in the sense described by Hood (1995), that is, in New Zealand, under the Westminster model there is no constitutional check, thus the opportunity to change the whole administrative system is significant. This is because power is centrally located with the executive.

Furthermore, Treasury had prepared a comprehensive briefing paper titled *Economic Management* to the incoming government containing advice about what changes needed to occur, of which chapter thirteen was devoted to the public sector. This chapter suggests fundamental changes to commercial operations and core activities within the public sector to

achieve the goal of efficient allocation of national resources. Changes to the management system suggested include clear objectives, relevant information to decision makers, measurement of *ex ante* against *ex post* performance, incentives to encourage good management and performance, and grant freedom to managers' to administer resources within their control as per limits set by Government.

McLeod (1992) stated there was bi-partisan support by the two major political parties for improvements in information reported, and support from three successive Ministers of Finance. Two more specific examples of Ethos are Treasury economists and accountants working together, and, the co-operation between the State Services Commission and Treasury.

One property of Ethos that emerged from the data as concurrent data collection and analysis progressed was Reforming Zeal. Some participants observed a reforming zeal prevalent in both Treasury and Ministers of the Fourth Labour Government, providing an opportunity for change.

This Reforming Zeal can be linked to developments that occurred which led to the publication of CFSs. One interviewee stated:

Well, my view on that is quite clear that following 1984 there was a reforming zeal present which made possible so many things that in the past had been put in the too hard basket and this was one of them.

The Ethos, as discussed here, is primarily between Treasury, Audit Office, State Services Commission and politicians. However, Ethos extended further than these relationships, to other public sector entities. Morrison (1993, p.9) observed the concept of Ethos when he stated "like minded people in various private and public sector agencies linked up".

4.6 KNOWLEDGE

The term Knowledge was developed to encompass a number of substantive codes that emerged from analysis of the data. By reflecting upon the various substantive codes, a central theme, not specifically identified by the participants, but implicit in their comments, was Knowledge. The term Knowledge is used here in the dictionary sense of the word to capture "the facts or experiences known by a person or group of people" (Collins, 1993, p.634).

Once this conceptual category had been identified, analysis of all the substantive codes that made up this conceptual category was undertaken revealing three theoretical concepts. These were Theoretical Knowledge, Experiential Knowledge and Precedent. At the institutional level, permeating all of these concepts, was knowledge of Treasury staff. The Treasury culture will be discussed next followed by each of the theoretical concepts with supportive excerpts that are drawn from interviews.

4.6.1 The Treasury

Treasury is responsible for the preparation of CFSs. Therefore, it is appropriate to review Treasury's culture as an important aspect that has contributed to the category Knowledge. As an organisation, it employs top graduates with honours or masters degrees, both of which have a research component. Relevant attributes of graduates include educational achievement, intelligence and the ability to learn. In a recent graduate recruitment programme (1995) brochure, the attributes of graduates Treasury are seeking are highlighted:

The Treasury requires graduates who possess an **incisive, questioning intellect**, who enjoy open and lively debate, who are prepared to take **responsibility** at an early stage in their career (original emphasis, Treasury, 1995).

The Treasury is an organisation that employs high calibre graduates. This is reflected in some interview extracts from each of the following groups: the Audit Office, Treasury and Other People.

Treasury at that stage, well Treasury prior to 1984, a very competent institution, Treasury being able to recruit people with the highest quality - since way back.

.....

The people who are probably thinking best about the issues are people who are paid to think, if not full time, at least a significant part of it and most people here are academically very well trained to think, so, that's their natural bent probably.

.....

...had gone to AAA at least twice in the last three years, and Treasury was obviously funding the States visits and so they've provided a lot of support to their staff and as a result they've got very high calibre people.

People employed by Treasury have an academic bent, and are provided with incentives to keep up to date with the literature as suggested by the last quote. Some people within Treasury are paid to think about issues, with a questioning mind. An indicator of the value of Knowledge and analytic skills to analyse information is reflected in the middle quote above when it is suggested that people are paid to think for a significant amount of the time, and to think in conceptual terms. And, finally

By and large Treasury has always been a place which does try and keep track of what is happening in the literature, whether it's economics or whether it is accounting.

4.6.2 Theoretical Knowledge

Academic literature is central to many ideas implemented in the reform of the public sector in New Zealand. The theoretical underpinnings of the reforms have been well documented (see Scott and Gorringer, 1989; Boston et al., 1991). Four theories that had considerable

influence shaping public sector reform in New Zealand were: Agency Theory, Public Choice Theory, Transaction Cost Analysis and Managerialism and the New Public Management. The wider use of academic literature within Treasury to provide support for the development of ideas is illustrated by the following extracts:

And it was probably informed as various people have written by a number of strands of economic thinking and thinking from other literatures like the accounting literature and the public sector financial management literatures which is for example, where the output, outcome distinction came from.

.....

And I think probably got a few ideas from there but I mean I think the impulses to the extent they were international were really affected the thinking that went on and a lot of advice to the New Zealand Government had its root in modern institutional economics, modern accounting, and a lot of what was going on in the private sector, in the way of new thinking about management, the collapse of what's known as the Taylorist model of organisational management which is management by objectives, hierarchies of authority, central planning units and so on.

The eclectic strands of thinking in developing the public sector management reforms are also evident. For example, one Treasury interviewee stated,

That it was seen that American corporations particularly, also the European ones that were run that way, were in terrible trouble with their Asian competitors, who were running themselves in very different ways with much more employee empowerment, much flatter management structures, much more attention to customer satisfaction and long term investment strategies, heavy reliance on technology, particularly information technology and so on.

Awareness of the literature about debt costs provides an example where compliance with GAAP may reduce debt costs. Although not a significant determinant to adopt accrual accounting techniques for whole of government, the following extract reflects knowledge of the literature.

On the other hand, there is certainly research in the United States which suggests that Government bodies, particularly at the Local Government level, have lower debt costs if they comply with and it is not private sector GAAP and it's not full accrual accounting, but GAAP, what they call Local Government GAAP. There is some evidence about the quality of financial reporting being related to the cost of debt to the organisation.

4.6.3 Precedent

In this study Precedent has the properties of time, order and importance. These elements are reflected in the use of precedents.

Although it may not have been a substantive reason for preparing CFSs on a full accruals basis, it is interesting to note that this was not the first time a Crown Balance Sheet had been prepared. As described by one interviewee there was a precedent in the 1930s:

... you may or may not know that the central government produced a full balance sheet from the years sometime in the 1930s I think until it was discontinued in 1942 because of the war.

Investigation of the Journals of the House of Representatives revealed that in about 1922 the government was in financial difficulty and embarked upon a programme to contain government expenditure within revenue limits. Interestingly, at this time accrual accounting techniques were also introduced. Two problems with financial reporting were identified: criticism of cash based accounting because it did not reflect the profit or loss of an activity; and diversity of accounting practice amongst government departments. A preliminary state balance sheet was published for the year ended 31 March, 1929 and continued until 1938 when this practice was discontinued. Departmental balance sheets were also prepared throughout the period 1922-1940; however, subsequently, because of shortages of staff and paper from 1940 onwards, many departmental balance sheets were no longer published.

In the international context, New Zealand implemented public sector management reforms similar to those implemented elsewhere such as the United Kingdom and Australia. Both countries began reinventing government before New Zealand began its process of change. Britain elected Margaret Thatcher to office in 1979 and in 1982 launched the "*Financial Management Initiative*" and in Australia in 1984 Bob Hawke's government implemented the "*Financial Management Improvement Plan*". The British precedent for reforming government was commented upon:

...I think the British have to be credited with having started some of the international movement to reforming the management of governments. And they continue to be very innovative to this day.

However, New Zealand is distinctive because the reforms introduced here went further than in any other country.

4.6.4 Experiential Knowledge

Finally, Experiential Knowledge refers to the sum of knowledge of a person or group of people. The term is very broad and can subsume either or both of theoretical knowledge and precedent. Personnel and financial problems gained through experience by central agencies over a long period of time are one aspect of this sub-category. One interviewee stated:

Yeah I mean the forces were we thought demonstrably poor management, the absence of virtually all of the features of a modern management system that you could observe in both public and private sectors.

But out behind that was the whole accumulated experience of those two organisations [State Services Commission and Treasury] in working with all these other agencies every day basically.

A factor that influenced the development of CFSs was private sector accounting experience of some Key People within Treasury and the Audit Office. Few participants talked about this in the first interviews; however, it emerged during the second interviews with some participants who had gained private sector experience overseas on short-term secondment.

Another interviewee spoke of the value of their previous experience. This person possessed the expertise needed in helping to keep the Process of Change in accounting running smoothly.

And I guess they made me an offer to come and join them rather than telling them how to do it, they asked me to come and join them.

Knowledge was a central resource in the development of the reforms in New Zealand, whether that be theoretical, precedent or experiential. James (1992, p.8) states "American economic analysis has heavily influenced the Treasury's thinking and so its advice". Within Treasury a research culture exists that has contributed to the coherence of the reforms significantly. In the words of one Treasury interviewee:

A respect for ideas is probably quite important, and one of the characteristics of the New Zealand reforms is that they are much more coherent than other countries have done.

Knowledge of the use of resources at the Government's disposal is embedded in the CFSs. They provide a new way of analysing the management of government finances to uncover fiscal trends. Also, the Knowledge contained in CFSs facilitates financial forecasting and planning of government activities.

4.7 PROCESS OF CHANGE

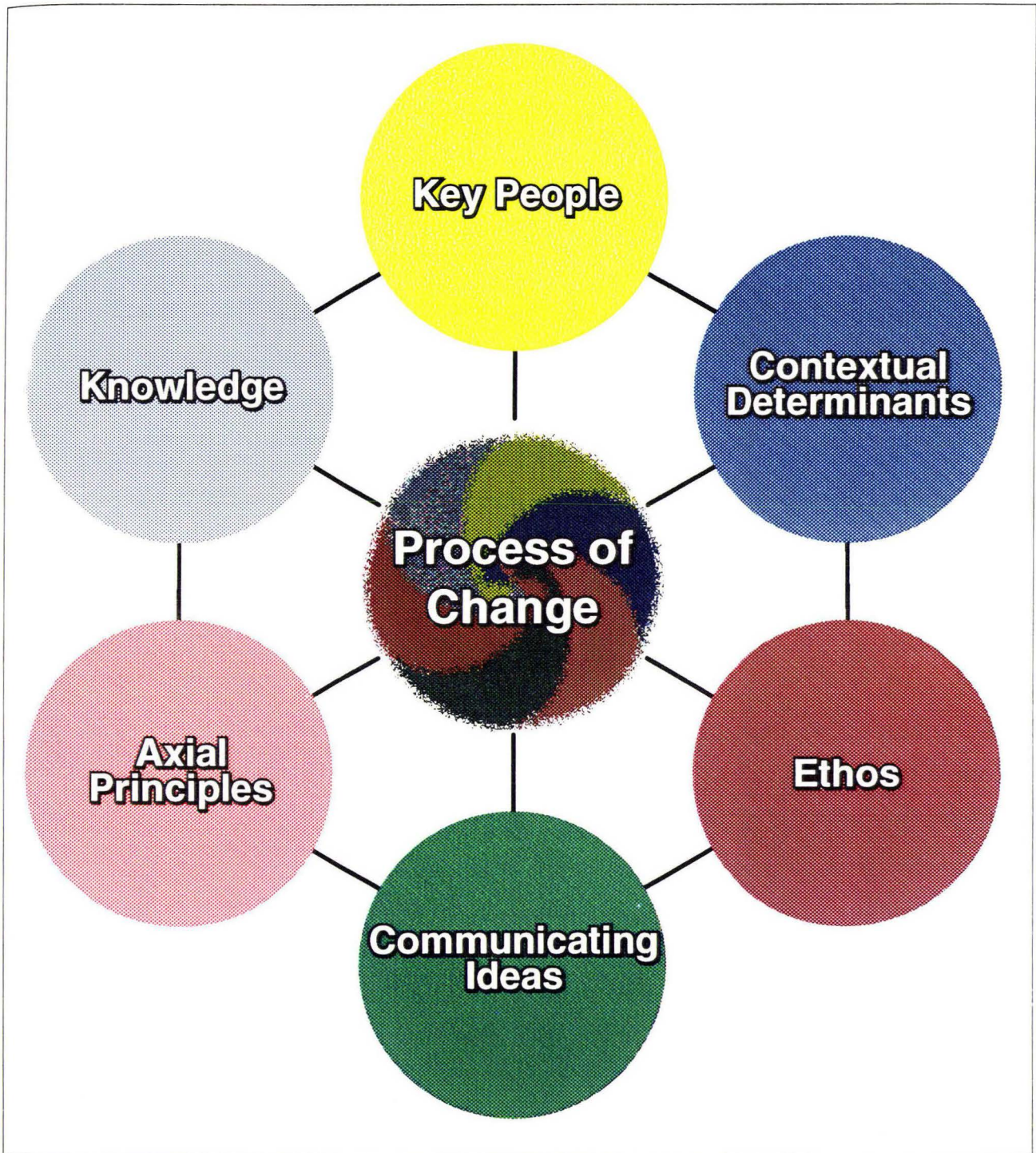
The core category has been described as the Process of Change. A summative model of what has been discussed up to now is illustrated in Figure 2. This term was developed by reflecting on all the changes that are listed in Table 3, Chapter Three, and the various excerpts pasted onto A3 sheets that supported the changes listed. The term is used in the dictionary sense of the words. That is, Process indicates "a series of actions which produce a change" (Collins, 1993, p.909) and change means "to transform or convert" (Collins, 1993, p.180). The Process of Change was driven by the influence of the six auxiliary categories already discussed.

Properties of change emerged from the data and from a review of the relevant literature. These are environment, rate, occurrence, scope, degree of impact, ability to control, and shape.

Exogenous changes that occurred in the international environment during the 1970s included the oil shocks (1973, 1979), the occurrence of stagflation, a phenomenon typified by both high inflation and high unemployment, and the removal of fixed exchange rates established under the Bretton Woods Agreements of 1944. The changing world circumstances during the 1970s had an impact on political thought, particularly within Anglo American countries such as Britain and the United States of America where there was a shift in economic thinking to the subsequent adoption of neo-classical economics. The ideas of monetarists led by Milton Friedman and the "Chicago School of Economics" began to rise in prominence. As explained by Gamble (1986, p.31), changing world circumstances provided an opportunity in politics "for both practical and ideological intervention".

New Zealand also experienced change during this period. In addition to the international factors, during the 1970s there was a significant increase in welfare spending. According to Rudd (1993) this was in response to demographic changes (ageing population) and economic

Process of Change



need (rising unemployment) but, was also a response to the introduction of innovative policies such as the domestic purposes benefit for solo parents (primarily women) and the accident compensation scheme. During this era there was also a problem of government overspending on subsidies, grants, incentives, loans, and allowances without supporting increases in revenue receipts (see Lye (1995) for a discussion of change at each level within the conditional matrix illustrated in Figure 1, Chapter Two).

The Process of Change gained momentum with the election of the Fourth Labour Government in July 1984. During interviews most participants mentioned the change in Government. In the following example a Treasury participant explains the effect of this.

But the whole agenda changed when a new Government came in with a completely different set of issues and we shifted the way in which the country was managed from a particular set of techniques that Muldoon was a master of to a completely different approach which meant that we were doing totally different things.

Since 1984, the rate of economic change in New Zealand has been very fast. There was a rapid shift from neo-Keynesian policies to free market policies. For example, within eight months, interest rate controls were lifted, exchange control regulations were relaxed and the New Zealand dollar was floated by March 1985. The return to orthodox economic policy had occurred in other countries such as Britain, before New Zealand. This trend was explained by the theoretical concept Economic Policy Convergence.

There was a synergy of change brought about by Key People with common views helped in part through dissemination of ideas either verbal or written. This will be discussed in detail in Chapter Five under the heading Synergistic Process of Change. As one Audit Office participant observed,

I think Treasury, I think the Auditor General, I think some influential chief executives and a number of politicians, all came together to make the changes and the economic situation, the deficits, and the size of the debt growing, helped.

Change also occurred within Treasury. Up until about 1987 there was little interest in financial management within Treasury. One Audit Office participant spoke about this during the interview.

I think Treasury until that point had really or at least at times had a fairly weak financial management interest. It had been focused substantially on economic policy advice and its economic roles and if you looked at what constituted the financial management activities of The Treasury there were not strong accounting skills or disciplines that drove vote management inside Treasury....So financial management was not really part of the Treasury agenda previously.

Change occurred partly through serendipity but also appears to have been planned and progressive. Signals that indicate this are Treasury documents *Economic Management* (Treasury, 1984a), *Government Management* (Treasury, 1987) and legislation enacted. The scope of change was comprehensive, affecting all New Zealanders. The whole New Zealand economy has been transformed since 1984.

Prior to 1984, New Zealand was a sheltered, regulated economy. Policy makers at this time were influenced by neo-Keynesian policies. Since 1984, steps have been taken to make New Zealand an internationally competitive economy and policy makers have been influenced by a monetarist perspective and open-markets.

Public sector accounting was transformed with the introduction of the Public Finance Act (1989). This Act legislated for core public sector entities to prepare financial statements using accrual-based accounting techniques according to GAAP. All core public sector entities were required to implement new accounting systems within two years to meet these requirements. The Act also specified the preparation of CFSs on an accrual basis. CFSs were prepared for the year ended 30 June 1992, however, these statements did not report the complete Crown entity and all of its sub-entities. The full Crown entity was consolidated for the year ended 30 June 1993. By this time the appropriate treatment of State-Owned Enterprises had been clarified and all Crown entities were consolidated in the CFSs.

The ability to control government expenditure has been significantly enhanced through the use of accrual accounting techniques. Prior to this, Governments had little ability to control their expenses. Given below is an example from one politician's experience:

One year shortly after I got to Parliament, I sat in a Select Committee. State Coalmines officials were there. I said well here we are again, you've made another loss. What are we to do? Let's start in what seems an obvious place. Which mines make the loss? And there was this awful silence. Haven't I told you this story? I was amazed. I thought it was a perfectly straightforward question and it's a true story. I did all this. And it made a very significant impact on my thinking. The last thing I expected was the response that I got - which was complete silence and I realised after a few seconds that the officials were embarrassed and were reluctant to reply. And finally one of them said well sorry Mr Chairman we don't know...I said what do you mean you don't know which mines make a loss. And then at that point I realised what the problem was. Because until that point I hadn't realised what I was next told, which was well, it's like this, we don't have a balance sheet so we can't tell, we don't know what money is invested where, we don't know what each mine is worth, therefore, it's all one pool, it's all one basket, one pocket the money goes into. We don't know how much each asset is worth, then we can't allocate the losses across the assets and we can't tell you which mines are losing money.

4.8 SUMMARY

The Process of Change and the auxiliary conceptual categories that support this dynamic process were defined, discussed and supported with extracts from data collected. Also, the literature has been weaved into the analysis where appropriate.

Change is pervasive throughout the data. Change occurred within each of the conceptual categories discussed and all of these interacting conceptual categories influenced the Process of Change that led to the evolution of CFSs.

Analysis of the data, however, revealed further conceptual categories that needed to be considered in providing a comprehensive explanation of the phenomenon. These will be discussed in the next chapter.

CHAPTER FIVE

A FRAMEWORK TO ANALYSE THE EVOLUTION OF CROWN FINANCIAL STATEMENTS

5.0 INTRODUCTION

The broader Process of Change illustrated in Figure 2 emerged from analysis of the data using grounded theory procedures and techniques. Additional conceptual categories that emerged from the data that explain the evolution of CFSs are Synergistic Process of Change, Innovation, Action, Information, and Consequences.

The purpose of this chapter is to blend the Process of Change into the analysis and to define and explain these additional categories. A substantive theoretical framework explaining the many mutually shaping factors that influenced the phenomena under investigation is illustrated in Figure 3. This figure represents a full explanation of the evolution of CFSs in conceptual form.

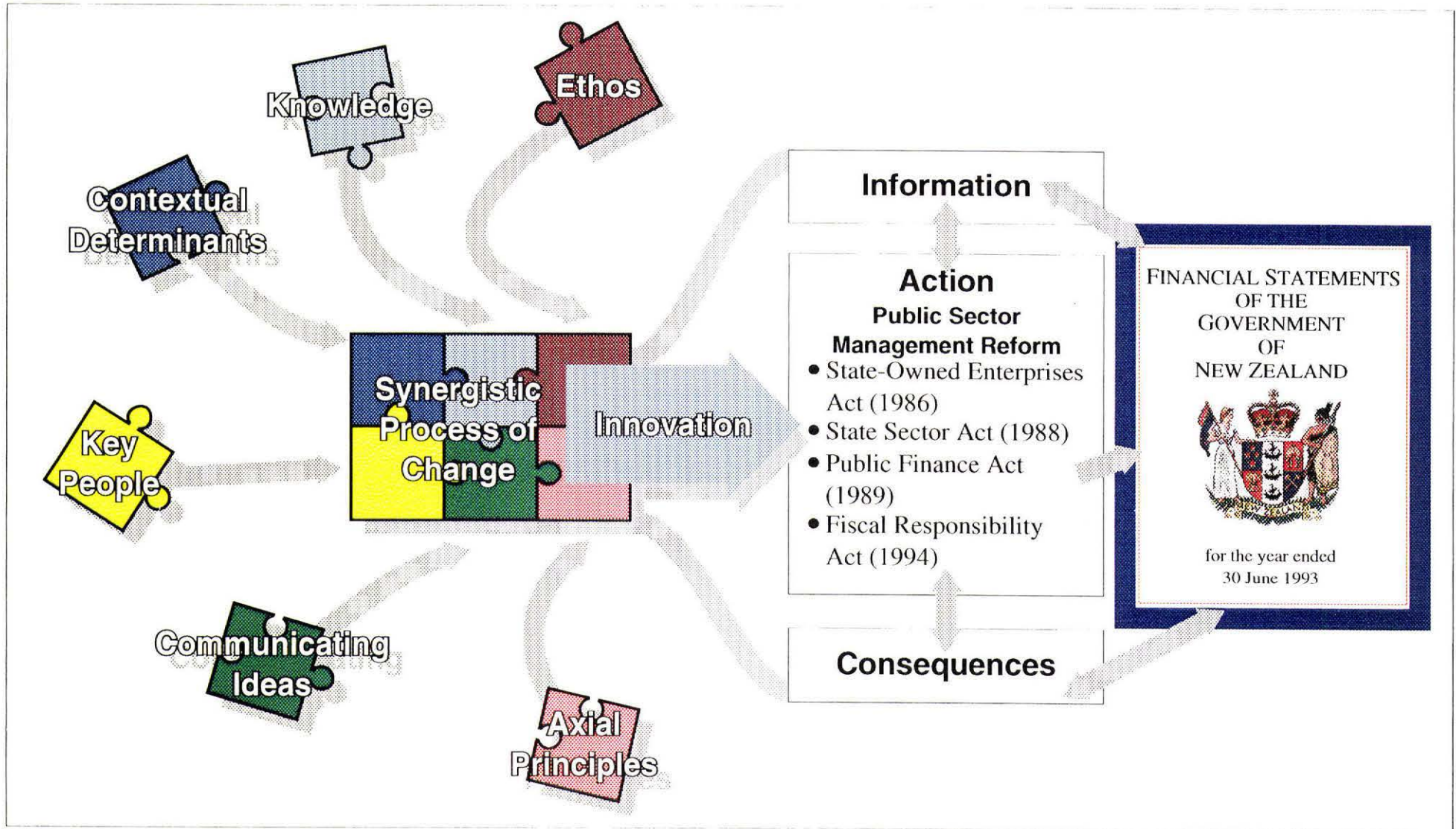
5.1 SYNERGISTIC PROCESS OF CHANGE

From the process of constantly reviewing and reflecting on the data, the core category, Process of Change, did not fully capture the synergy of change that occurred between Key people from different institutions working together. It was felt that the term needed to be modified to explain the interacting factors that led to the evolution of CFSs in New Zealand.

The term Synergistic Process of Change was generated after a dictionary search for a phrase that would best encompass the categories that emerged from the data illustrated in Figure 3.

Figure 3:

Framework to Explain the Evolution of Crown Financial Statements in New Zealand



The word synergistic is used in the dictionary sense as "the potential ability of individual organizations or groups to be more successful or productive as a result of a merger" (Collins, 1993, p.1176). In New Zealand, public sector management reform brought Key People from Treasury, the State Services Commission, the Audit Office and parliamentarians together working towards achievement of the same goal. Upon review of the interview data, support for this term was also derived from two Audit Office interviewees:

There was a synergy of change, let's do something different, and we understand all these things that we want to achieve, so let's go for it.

.....

But I think that probably the most significant thing was the right people in the right place at the right time.

One property of the Synergistic Process of Change is convergence. There were many forces that converged "to set in motion this remarkable wave of [public sector management] reform" (Boston et al., 1991, p.1). Additionally there was a congruence of goals of Key People reflected in the substantive codes that emerged from the data grouped under the theoretical code Motivating Influences (refer Table 2, Chapter Three). Various constituents of the political economy, notably politicians and bureaucrats, co-ordinated their efforts to cause change. But this extended further afield. As one politician stated,

That this was the unique combination to experience when you came to office when everything the Treasury then wanted to do was echoed all round the place...

The Synergistic Process of Change is depicted as a jigsaw puzzle with all the categories fitting together to form a whole. However, the jigsaw model is static and does not reflect the dynamics of the situation that evolved in New Zealand. Moreover, the metaphor reflects that the pieces only interact with those that they come into contact with. It ignores the complexity, mutually shaping influences, interactive nature, and the changing relationships between the categories.

For instance, each category, Ethos, Knowledge, Contextual Determinants, Key People, Communicating Information and Axial Principles have their own separate evolution, some of them being present all the time with differing influence. Besides this, each category had a role to play at various stages of the reform process. Therefore, the pieces of the jigsaw puzzle were different sizes throughout the differing stages, as their importance changed. For example, Axial Principles were very important at the beginning and useful in helping to explain structural changes that would occur. Yet, once these were established and embedded in subsequent Action, they were not evolving much after that. So, the jigsaw puzzle presents diagrammatically the elements necessary for the Synergistic Process of Change to occur, that led to a period of Innovation. Without the Synergistic Process of Change occurring, it is argued that such comprehensive reform as occurred in New Zealand would not have taken place.

5.2 INNOVATION

The term Innovation arose from a field note memo made during the substantive coding. The term is used in the dictionary sense as "something newly introduced, such as a new method" (Collins, 1993, p.591). Originally it was seen as a theoretical concept of Ethos. However, upon self-reflection it became apparent that without the Synergistic Process of Change occurring, Innovations such as the publication of CFSs would not have occurred. Therefore, the period of Innovation in public policy for this study is seen as a consequence of the Synergistic Process of Change. As one politician and Treasury participant respectively stated:

The pressure of the ideas was there and then there was simply an internal pressure to do things that other people had never done before.

.....

But because we were bouncing back from that peculiar position we developed a tremendous head of steam and ended up in a number of places, actually going past the consensus and becoming innovative in a few areas of government management in particular.

The Innovation in public policy is in contrast to that prior to 1984 when change was ad-hoc, piecemeal and unco-ordinated under the previous administration. Innovative thinking is reflected in the legislation enacted comprising public sector management reform, specifically, the SOE Act (1986), the SSA (1988), the PFA (1989) and more recently the Fiscal Responsibility Act (FRA) 1994. However, it is also evident in other public policy areas such as in taxation, the Goods and Services Act 1986; in monetary policy, the Reserve Bank Act 1989; and labour market reform contained in the Employment Contracts Act 1991.

In New Zealand the corporatisation process introduced by the SOE Act was innovative. One unique aspect is that the shareholding ministers would be different under this Act from other countries as described by one Treasury interviewee:

Yes, but you would then need to go back into some of the work that was done on SOE's here and why they were set up in the way they were - which is quite different to how they were set up in other countries. For example, where you had an SOE like Railways, the shareholding Ministers were the Minister of Finance and the Minister for State Owned Enterprises, whereas anywhere else they would have been the Minister for Railways or the Minister for Transport. They would have had a sectoral or industry basis for the assignment of ownership.

New management practices and techniques were introduced into the core public sector under the SSA to modernise and achieve greater managerial flexibility. Personnel, a key resource previously under central control of the State Services Commission (SSC), was included in the responsibilities of chief executives. According to Scott (1995), from an international viewpoint, this is a unique feature of the Act, and is fundamental to the success of the reforms.

The PFA legislated for the preparation of financial statements using accrual accounting techniques in accordance with GAAP for the Crown and its sub-entities. Accrual accounting techniques had not been used in the public sector for many years. Thus, new accounting methods, traditionally thought of as private sector techniques, were introduced into the public

sector and the CFSs are a product of this innovative thinking. In the words of one Treasury interviewee:

...I mean this was a New Zealand Innovation nobody had done before, people didn't know it was possible, until we turned up with it.

In preparing CFSs, some problems and issues were encountered for which pragmatic or theoretical solutions had to be found because there were no practical precedents to use. This innovative thinking in the development of CFSs is commented upon by interviewees from the Audit Office and Treasury respectively:

...because in addressing issues we really had no one to turn to; we had to do the analysis; we had to decide on the appropriate approach.

.....

And that was some ground breaking stuff in there because we had to work out how we were going to value the National Parks, we had to work out when we should be recognising tax revenue...

In this section the application of innovations in public policy has been discussed in terms of the dictionary meaning of the term Innovation. New methods of management and accounting were introduced under the SOE Act, the SSA and the PFA, the latter legislating for the preparation of CFSs. In each of these policy areas there are elements of Innovation that are unique. The publication of CFSs by a sovereign Government on an accruals basis in accordance with GAAP is one of those unique areas. Similarly, the preparation of budgets in accordance with GAAP is another.

5.3 ACTION

Initially, the term legislation was used to capture the Synergistic Process of Change, evident in legislation passed. However, upon reflection, this term was seen as limiting because it was

not conceptually broad enough. What the term did not capture was action undertaken for some purpose, or action that occurred outside of what was captured in the legislation, for instance, the reorganisation of state agencies according to functional roles, that is the separating of policy advice from operations. Action is used here in the dictionary sense as the "process of doing something" (Collins, 1993, p.13). The term can be used to mean either routine or strategic action (Strauss and Corbin, 1990).

The evolving nature of Action taken on public sector management reform in New Zealand can be observed through legislation passed since 1986 by the Fourth Labour Government, specifically, the SOE (1986), the SSA (1988), and the PFA (1989). (In addition, the FRA, 1994, introduced by the National Government, is the keystone of public sector management reform and ensuring responsible fiscal management). Each piece of legislation leads to another, in a temporal sequence, and is discussed below.

5.3.1 State-Owned Enterprises (SOE) Act (1986)

Major restructuring of the public sector commenced in 1986 with corporatisation of trading departments under the SOE Act (1986). Boston et al. (1991), point out that Treasury analysis showed that poor performance of public enterprises could be attributed to the institutional framework within which managers were operating. Problems affecting performance were a lack of clear objectives, an operating environment marked by special assistance, lack of competition, and an absence of incentives for managerial performance (Treasury, 1984b, p.279). Furthermore, advocates of reform pointed to constraints trading departments placed on the performance of the national economy (Treasury, 1984b; Douglas and Callan, 1987). Treasury (1984a, p.275) estimated that state commercial activities accounted for some 12 percent of gross domestic product (GDP) and about 20 percent of gross investment in 1984. As McKinlay (1990) observed, not only was the government as owner receiving a nil monetary return for its investment, but these enterprises were also a monetary drain on government resources.

significant changes were introduced under the SOE Act to overcome the deficiencies identified, to improve performance and to provide better information. The institutional framework was transformed into a structure within which trading departments were set up as limited liability companies under the Companies Act, with the Crown owning all the equity. SOEs were established with the principal objective to become successful businesses and be as profitable and efficient as comparable businesses that are not owned by the Crown" s.4(a)). Social objectives became the responsibility of the Crown, and would be purchased from these entities on a contract basis, if required.

The Act emphasises better and more timely information, including a Statement of Corporate Intent (SCI) for the current year and two years ahead. Although not stated explicitly in the Act, the adoption of full accrual accounting techniques in preparing the specified reports was implicit.

The SOE Act and the ideas behind its introduction should be seen as a progression of accumulated knowledge that influenced changes made to the remaining core public sector. In 1988 Geoffrey Palmer (later, Sir) gave an address to the 1988 Conference of the New Zealand Institute of Public Administration stating:

...The State Sector Act was in constitutional terms, I suggest, a lineal successor to the ideas which caused the state-owned enterprise policy to be developed. It needs to be seen in that context (quoted in McKinlay, 1990, p.27).

Reform of core public sector activities is seen in two complementary pieces of legislation: the State Sector Act (1988) and the Public Finance Act (1989). It should be noted, however, that the Treasury documents *Economic Management* (Treasury, 1984a, chapter 13) and *Government Management* (Treasury, 1987) signalled changes to be made to the core public service.

5.3.2 State Sector Act (SSA) (1988)

This Act took effect on 1 April 1988. Scott et al. (1990) state the new Act had two principal aims: first, to define new relationships between Ministers and heads of departments and second, to bring state sector employees under comparable labour market regulations with the private sector.

Tools for restraining core public sector expenditure are embodied in the SSA (1988) and the PFA (1989). Together, these Acts enable Ministers to examine priorities amongst departmental outputs and review departmental efficiency through performance agreements between Ministers and chief executives.

Significant changes were introduced under this legislation. Permanent heads (the old title for department heads) became known as Chief Executives who would assume responsibility for day to day administration of their departments. Ministers would be responsible for the specification of objectives with the chief executive. These changes clarified roles and responsibilities of both parties. Permanent tenure of department heads was replaced by five year contractual arrangements, and an annual performance agreement between the relevant Minister and chief executives (McCulloch and Ball, 1992). Employing chief executives on fixed term contracts with their continued tenure dependent on satisfactory performance was seen as a way of dealing with persistent poor performance left unchecked under the old system (McKinlay, 1990).

5.3.3 Public Finance Act (PFA) (1989)

The PFA took effect from 1 July 1989 and specified the minimum financial reporting obligations of the Crown, Departments, Offices of Parliament, and Crown Entities. Under this Act financial statements are to be prepared using accrual-based accounting techniques according to generally accepted accounting practice (GAAP), as defined in s.3 of the Financial

Reporting Act (1993). The preparation of a comprehensive Crown Balance Sheet following private sector GAAP is unparalleled by a sovereign government in the world.

Since 1994, the New Zealand Government produces monthly, half yearly and annual (audited) consolidated financial statements for the whole of the Crown estate. The CFSs provide a much more complete picture of all the Crown's resources making visible the operating result and net worth for a reporting period. Although they are prepared on a similar basis to those of a private-sector reporting entity, the use and interpretation of CFSs differs from those of a private sector-firm (refer commentary, New Zealand Government, 1992, pp.81-84). For example, a negative net worth does not mean the Government will become insolvent because it has the sovereign power to tax.

In the first set of CFSs published (prepared for the six months ended 31 December 1991), a negative net worth of 14.38 billion was reported. The Minister of Finance in the foreword commented that:

The negative net worth recorded in the Crown's balance sheet should come as no surprise. This situation is the consequence of New Zealand governments persistently running budget deficits. It does, however, reinforce the necessity of the Government's fiscal strategy and the need to control government expenditure now and in the future (New Zealand Government, 1992, p.4).

The publication of CFSs was an Innovative step to ensure governments of the future would be fiscally responsible. They were also a progressive step towards budgeting on an accruals basis, required under the Fiscal Responsibility Act (FRA) 1994.

Although outside the scope of this study, brief mention about the FRA (1994) is made here because the publication of CFSs facilitated new reporting requirements specified in this Act, which took effect from 1 July 1994. As one Treasury interviewee stated:

we were progressively developing a net worth notion of fiscal position and performance.

Under the FRA, strategic and financial information is required to be published annually. The Budget Policy Statement (s.5), the Economic and Fiscal Update (s.7), Economic Forecasts (s.8) and Fiscal Forecasts (s.9) are required to be prepared for the current year and the next two financial years. The Fiscal Strategy Report (s.6) to be presented annually to Parliament, required projections for ten financial years, including the current financial year.

The reporting provisions contained in the FRA reflect two things. First, now there is a requirement in law for Governments to plan for the future. Second, the increased level of short and long term information being provided would reduce uncertainty in the economic environment about future government policies. Indeed, this theme of reducing uncertainty is also evident in the Reserve Bank Act (1989). Here the Bank has been delegated the primary task to achieve and maintain price stability.

To summarise this section on Action, the legislative changes discussed here and introduced since the election of the Fourth Labour Government in July 1984, have lead to complementary economic policies. Reporting of strategic and financial information using accrual accounting techniques in accordance with GAAP, is making government finances more predictable leading to economic stability by reducing uncertainty about Government policies. It is a significant change from ad-hoc planning that occurred in the past. When Governments using neo-Keynesian economic policies would make short term decisions with long term consequences.

5.4 INFORMATION

Information emerged from the data as a significant conceptual category. It is one of the seven Axial Principles defined in *Government Management* (Treasury, 1987). This term is used in the dictionary sense of "knowledge acquired through experience or study, knowledge of specific and timely events or situations; the act of informing or the condition of being informed, an office, agency etc., providing information" (Collins, 1993, p.587).

For this conceptual category it was not only the number of times that the term Information was mentioned by participants that made it significant, but also the nature of the term. For instance, because of changing organisational structures and accountabilities, different information was required. As one Treasury interviewee stated:

...with freedom of course should come accountability, in order to exercise accountability and monitor, then more and or different information is needed so there is a fairly sophisticated monitoring regime in place...

The type of information required has expanded from financial information to include non-financial information. Under the SOE Act a Statement of Corporate Intent (SCI) is required for the current financial year plus two succeeding years. The SCI is to include, amongst other things, the objectives of the enterprise, and performance targets to enable performance of the enterprise to be judged in relation to its objectives (see SOE Act, s. 14(2)).

There is little information required under the SSA, except the requirement to produce an annual report (s.30). Interestingly, it is the PFA that delegates responsibility to the chief executive for financial and non-financial information requirements. Non-financial reporting requirements are similar to those required for SOEs, that is, specification of *ex ante* objectives, measured against *ex post* performance.

The quality of the information for decision making using accrual accounting techniques is superior to that under the previous cash based accounting system. An example of the inadequacy of information generated using a cash-based accounting system was given by one Treasury interviewee:

...if you had an appropriation for an output that was a million dollars this year and ten million dollars next year, look at what rotten information you are giving decision makers if the nine million is just - bought an asset that is going to last ten years. It is impossible for people to make comparisons.

At the aggregate (and departmental) level financial information is more comprehensive. All assets and liabilities are recorded for the government. Furthermore, supporting statements are more comprehensive including a listing of all contingent liabilities and commitments. Accounting policies are clearly stated. As one politician stated:

What is important are the trends that will emerge over time. Does your net worth improve or does it deteriorate? Are you moving from operating deficits to operating surpluses? How is the state managing its balance sheet in a fashion that is contributing to the ability of our economy to develop and grow on a sustainable basis?

Trend information that will become available over time will enhance accountability and facilitate assessment of performance of the government as a whole as well as the entities that make up the Crown (State-Owned Enterprises, Offices of Parliament, Departments, and Crown Entities). Also, financial implications of decisions made by government have become more transparent, an Axial Principle defined in *Government Management* (Treasury, 1987). These factors are explained in the first published set of CFSs for the six months ended 31 December 1991 under the heading "Rationale for Reform":

The primary purpose of the Crown Financial Statements is to assist Parliament and the electorate to hold governments accountable for their overall management of public resources. Until now, the Financial Statements of the Crown have given an incomplete picture of assets and liabilities, and revenue and expense flows.

By moving to an accrual basis of accounting, these deficiencies have been largely removed, so that the Financial Statements now give Parliament a quality of information exceeding the standards expected by the shareholders of a company.

At the same time, the Government and financial markets will now have better information for assessing the Government's fiscal position. The new Statements significantly enhance the range of fiscal measures. In particular, the additional information provides a better view of the longer-term consequences of current decision-making.

One of the beneficial results of producing the Crown Financial Statements is a more complete listing of Crown assets. Compiling and maintaining this information ensures that public-sector managers will remain conscious of the need to accurately report and competently manage assets under the control of the Crown (New Zealand Government, 1992,p.72).

Bell (1973) identifies Information as the technology of post-industrial society, illustrated in his theoretical schema in Table 4. This schema was developed from extant research at the time to project long term changes in society that would have implications for social policy and its instruments. The schema has relevance for this study because of the similarities identified in the post industrial era to what was discovered from this research.

Bell suggests Theoretical Knowledge will emerge as a central source in policy formation. Under Axial Principles in Chapter Four the influence of abstract theory was discussed. Furthermore, anecdotal evidence from interviews was used to describe the codification of Theoretical Knowledge in CFSs, e.g., the concepts' outputs and outcomes are defined in the PFA (1989).

Information is identified by Bell as the technology of the post industrial era. Accounting is an information system that communicates financial information to users of the statements. Better, more comprehensive information emerged as significant in this study. The better information contained in CFSs should help decision makers (external and internal) to prepare for the future and thus reduce uncertainty. (Additionally, the future orientation of Bells schema is reflected in the provisions contained in the FRA (1994)). Also, trend information was commented upon by participants during interviews.

Accrual CFSs mandated by the PFA are an important component of better Information. Since 1994, the New Zealand Government has produced monthly, half yearly and annual (audited) consolidated financial statements for the whole of the Crown estate providing a much more complete picture of all the Crown's resources. Three benefits of the new financial statements can be identified. First, they provide better information to Government to manage resources. Second, they provide a more integral picture of the Government's resources. Third, they reflect more clearly the Government's fiscal policy and implications of current decisions with long term consequences.

Table 4
General Schema of Social Change

	PRE- INDUSTRIAL	INDUSTRIAL	POST-INDUSTRIAL	
Regions:	Asia Africa Latin America	Western Europe Soviet Union Japan	United States	
	Primary Extractive: Agriculture Mining Fishing Timber	Secondary Goods Producing: Manufacturing Processing	Tertiary: Transportation Utilities	Quaternary: Trade Finance Insurance Real Estate
				Quinary: Health Education Research Government Recreation
Occupational Slope:	Farmer Miner Fisherman Unskilled Worker	Semi-skilled Worker Engineer	Professional and Technical Scientists	
Technology:	Raw Materials	Energy	Information	
Design:	Game against nature	Game against fabricated nature	Game between persons	
Methodology:	Common sense experience	Empiricism Experimentation	Abstract theory; models, simulation, decision theory, systems analysis	
Time Perspective:	Orientation to the past <i>ad hoc</i> responses	<i>Ad hoc</i> adaptiveness Projections	Future orientation Forecasting	
Axial Principle:	Traditionalism: Land/resource limitation	Economic Growth: State or private control of investment decisions	Centrality of and codification of theoretical knowledge	

(Source: Bell, 1973, p.117)

5.5 CONSEQUENCES

This conceptual category emerged during sorting of a number of substantive codes that all reflected a theme of desired outcomes that would result from the structural reforms made. So, all these codes were grouped under the conceptual category Outcomes. However, during second interviews, two interviewees expressed concern about the term since it is defined in the PFA and has a specific meaning within the public sector.

Upon reflection, it was decided to avoid using a term that was full of analytic meaning. Strauss and Corbin (1990, pp.68-69) explain that using terms borrowed from either professional or discipline reading can have both advantages and disadvantages. One disadvantage is that such terms have particular meanings for certain people.

So, after a period of reflection, and after undertaking a search in the dictionary, it was decided to use the term Consequences. This term would adequately capture the anticipated consequences expressed by participants. The term is used in the dictionary sense as "a result or effect" (Collins, 1993, p.232). Substantive codes that make up the category Consequences mentioned during interviews with participants from three groups (Audit Office, Politicians and Treasury) are listed in Table 5. Any in-depth evaluation of whether these Consequences have been achieved would be beneficial; this task, however, is outside the purview of this study.

A substantive code that emerged from the data about public sector management reforms implemented in New Zealand was that the reforms were about "means rather than ends". The Consequences listed in Table 5 identify broad objectives, many of which are relevant to governments of all persuasions. As one Treasury participant articulated:

They differ significantly, I suspect, on how you would achieve that, so the change between the period prior to 1984 and subsequently, I think was largely about a change in the understandings of how you might achieve broad objectives, perhaps more than a change in the nature of those objectives themselves.

Table 5: Development of Category Consequences

Substantive Codes
Accountability (4)
Balance Sheet Management (2)
Better Decision Making
Better Management (4)
Certainty (3)
Credibility (6)
Competitive Economy (2)
Control Over Government Expenditure (including capital expenditure) (6)
Define Role of Members of Parliament
Efficiency (3)
Enhance Management of the Economy
Flexible Management System (7)
Manage the Public Sector (7)
Rational Economic Choices (2)
Responsive Public Sector (2)
Strategic Outlook (5)
Synchronise Fiscal and Monetary Policy

Note: Figures in brackets refer to the number of times each substantive code was mentioned.

Using the words of one Audit Office interviewee and three Treasury interviewees, the following excerpts reflect accounting responding to a changing environment, specifically, changing criteria for performance assessment.

We have not introduced accrual accounting for the sake of accrual accounting, we do not encourage the production of accrual based financial reporting or performance reporting for the sake of just doing it....

.....

...we were trying to put in place a management system which was based on clear detailed objectives, and good performance information, incentives to manage well, and a lot of freedom to manage. And it follows that if you try to do that you are going to end up with an accrual accounting system...

.....

So accrual accounting was just a part of that scene and could be regarded as a means to an end, certainly not an end in itself.

.....

So we never really had a big debate about accrual accounting because it so clearly fitted with what we mean by performance, and people could see the sense in that, so accrual accounting was a logical consequence. It wasn't being argued that it was better accounting but that it was a better way of measuring performance.

The above quotes illustrate that the introduction of accrual accounting techniques, enabling the publication of CFSs, was embedded in organisational change to achieve broader economic, political, and social objectives.

5.6 SUMMARY

The discussion in Chapters Four and Five should be read in conjunction with each other. Together these chapters support the conceptual categories illustrated in the Framework to explain the evolution of CFSs in New Zealand illustrated in Figure 3.

Through the Synergistic Process of Change, a program of Innovative Action was introduced into the New Zealand public sector. Two themes emerge from this analysis. Firstly, a concern about fiscal responsibility is apparent. Secondly, new methods have been introduced into the public sector such as the adoption of private sector management practices (i.e., clear objectives) and accounting techniques (i.e., accrual accounting and compliance with GAAP).

Relevant Information for decision making emerged as very important. The preparation of financial statements for entities that make up the Crown, and the subsequent consolidation into CFSs, facilitates the decision making process. Also, the specification of objectives *ex ante* compared to *ex post*, with accrual accounting reports, provides decision makers with better information for assessing performance of the Crown and its entities now and in the future.

Furthermore, Treasury's financial control of resources has been enhanced with the shift in their role from that of monitoring expenditure to determining a policy framework for the whole of government (Boston, 1989). The publication of CFSs summarising government activities facilitates Treasury's new role and simultaneously is perceived to provide more relevant information to users of government statements.

Extracts from interviews highlighted that accounting change did not occur for the sake of changing accounting. Rather, it changed in response to managerial changes that were seen to be much more important. And, managerial changes were made because inefficient management practices were embedded in the old public sector management structures. Also, New Zealand had a history of persistent fiscal deficits. Thus, the changes introduced were about means rather than ends.

CHAPTER SIX

GENERAL SUMMARY AND CONCLUSIONS

6.0 INTRODUCTION

The purpose of this research has been to explain how the Process of Change led to the evolution of CFSs in New Zealand. In Chapter Two an overview of the research methodology, grounded theory, was given. Chapter Three discussed the application of grounded theory procedures and techniques. Also, how the research evolved during the research process. In Chapter Four six auxiliary categories that supported the Process of Change were defined and explained with supportive excerpts from interviews with participants. In Chapter Five further conceptual categories were defined and explained. These categories modified the Process of Change explained in Chapter Four.

This chapter provides a summary of the research findings. Evaluative criteria used for this study and limitations of the research are discussed. This is followed by a section which discusses how accounting is influenced by, and influences, its environment based upon findings from the study. The next section discusses the contribution to knowledge and the final section provides a concluding comment with suggestions for future research.

6.1 RESEARCH FINDINGS

As the nature of the research problem did not conform to *a priori* theories, an inductive mode of theory generation was selected. The grounded theory method was adopted to formulate an interpretation of events that led to the evolution of CFSs in New Zealand. Each conceptual category developed has its own developmental history that began with coding on a sentence by sentence basis.

All the essential components have been introduced and discussed with relevant extracts from the field data from which they emerged in Chapters Four and Five. Many of the categories were named from reflecting upon the excerpts supporting the substantive codes, in conjunction with a dictionary search to discover a label which best fitted with the data, e.g., Communicating Ideas, Contextual Determinants, Ethos and Knowledge. Some conceptual categories retained the actual wording recorded in the data, e.g., Key People, Innovation and Information. In addition to the methods already outlined, two conceptual categories were labelled with reference to the literature. These were Axial Principles and Action. For Axial Principles, the work of Bell (1973), who explains the centrality of theoretical knowledge in developing policy in post-industrial society, is acknowledged. For Action, both routine and strategic, the work of Strauss and Corbin (1990) is acknowledged. The core conceptual category Synergistic Process of Change evolved from the data, in combination with a dictionary search and reflecting on the excerpts.

The author's interpretation of the Synergistic Process of Change that emerged from the data was illustrated in Figure 3. This theoretical framework explains the evolution of CFSs in New Zealand. The framework has been systematically developed from the data collected from actors involved in the development of CFSs.

The research outcome was derived from Key People's perspectives constituted against changing economic, political and social events. This research provides insights into accounting in action. The substantive theoretical framework contributes to our knowledge of the social character of accounting practice.

6.2 EVALUATIVE CRITERIA

Evaluative criteria used for this study and introduced in Chapter Two are credibility, fittingness, auditability and confirmability discussed in this section. Firstly, to convey the credibility of the grounded substantive theory, five quotes from interviewees will be used.

I don't think that there is anything missing from all that. You can sort of fit a heap of things into those circles.

.....

It's certainly relevant, it's a characterisation of what's happened and apart from the odd comments I've made at the margin, I think there is nothing wrong in it.

.....

They seem to me to be relevant factors that you've identified there...

.....

...I am attracted to that because it does accord with my concept, my Angels Theory.

.....

I have no problem with that. I think that brings it together very well.

Secondly, according to Glaser (1978), if a theory is seen as useful this is a "major source of verification of the fit, work and relevance of a theory" (p.14). The criteria of fittingness was met by two interviewees who stated the following:

Well that's very useful...it certainly put the whole initiative in its more correct context.

.....

It seems to me like a reasonably sensible, useful way of kind of characterising the things that were and probably needed to be present.

In regard to auditability, Chapter Three outlines the process followed and difficulties encountered by the researcher. It is anticipated that another researcher following the same process would arrive at similar findings and interpretations.

Confirmability of the substantive theoretical framework was found by going back to participants for second interviews. These interviews with ten participants were valuable in confirming the relevance of the categories developed. Not only did some participants

recognise the categories, agreeing with the explanation of each and the link to CFSs, but they also offered examples of the applicability of the theory to either the current situation or to other organisations.

In terms of application of the framework developed to other contexts, one interviewee stated:

These things are going on all the time, everywhere. It's happening now. There are Key people with a certain amount of Knowledge applying Principles and talking about them and thereby working within the current environment to make changes and that's sort of happening.

6.3 LIMITATIONS OF THE STUDY

Only thirteen interviews were conducted with people involved in the Synergistic Process of Change, and these interviews provided the bulk of the data used. Using the grounded theory method, this is not a major problem because it is conceptual development that is important, not people interviewed *per se*. Had more time been available to investigate further, more people would have been interviewed.

In the write up of the final study, only some excerpts from the interview data have been selected to provide richness to the discussion of the findings. Therefore, there is much left in the data that remains unsaid. However, as Glaser (1992, p.92) states "it is what is offered that is relevant, not what is not offered, and the degree to which it explains".

It should be noted, however, that there is little evidence that the limitations acknowledged in this study detract from the theoretical outcome. Rather, they are problems inherent with the grounded theory method in particular, and qualitative research generally.

6.4 ACCOUNTING AND ITS ENVIRONMENT

By using the grounded theory method the framework developed by the researcher shows how accounting change evolved over time in the New Zealand context and was influenced by change in the broader economic, political and social environment. As Hopwood (1990) suggested, accounting is an autonomous phenomenon. Political and economic factors can play a significant role in influencing the course of its transformation.

This study also shows how accounting numbers influence the environment (macro and micro). For instance, new financial reporting systems were introduced into the public sector under the PFA (1989). The reports produced give visibility to new accounting variables. At the Crown level these are total operating expenses, total operating revenue, the balance between total operating revenue and total operating expenses, total debt, and the Crown's net worth. The CFSs have also enhanced the accountability of national government. Firstly, *ex post* information is provided in the CFSs and *ex ante* information is required under the FRA (1994).

6.5 CONTRIBUTION TO KNOWLEDGE

The study responds to the challenge by Broadbent and Guthrie (1992) for more "alternative" type research in the public sector that will enhance our understanding of accounting in context. The framework developed from interview data with participants involved in the development of CFSs explains the evolution of CFSs providing a new way of understanding accounting and many complex inter-relationships in its broader environment (macro and micro).

Furthermore, a significant feature of this research is that it explains the research method used and how the research evolved during the research process, thus responding to criticisms made by Ferreira and Merchant (1992) and Tomkins and Groves (1983).

6.6 CONCLUDING COMMENT

In this study, a grounded theory approach has been used to generate a substantive theoretical framework to explain the evolution of CFSs in New Zealand. Understanding and using the procedures and techniques of grounded theory method and the discovery of the framework that synthesised and integrated all the codes took much longer than was anticipated at the outset. However, the experience has been challenging throughout and a tremendous learning experience.

The theoretical model illustrated in Figure 3 is the outcome of interviewing people directly involved in the development (initiation, approval, development and implementation) of CFSs. The systematic procedures and techniques of grounded theory method have provided a new way of viewing events that led to the phenomenon under investigation. This approach captures an underlying reality that is not possible by looking at observable, objective facts. It is rich enough to be sensitive to some of the complexities of a multi-dimensional reality, in this case, the evolution of CFSs in New Zealand.

Two suggestions for further research can be identified. First, the conceptual categories could be developed further into a set of propositions. Second, there are no cross-national studies comparing changes in accounting in the public sector. This suggests opportunities for further research in this area on a comparative basis.

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Financial Reporting Act (1993)

Fiscal Responsibility Act (1994)

Network of Basic Assumptions Characterizing the Subjective-Objective Debate within Social Science

Subjectivist Approaches to Social Science

Objectivist Approaches to Social Science



Core Ontological Assumptions

reality as a projection of human imagination reality as a social construction reality as a realm of symbolic discourse reality as a contextual field of information reality as a concrete process reality as a concrete structure

Assumptions about Human Nature

man as pure spirit, consciousness, being man as a social constructor; the symbol creator man as an actor; the symbol user man as an information processor man as an adaptor man as a responder

Basic Epistemological Stance

to obtain phenomenological insight, revelation to understand how social reality is created to understand patterns of symbolic discourse to map contexts to study systems, process, change to construct a positivist science

Some Favoured Metaphors

transcendental language game, accomplishment, text theatre, culture cybernetic organism machine

Research Methods

exploration of pure subjectivity hermeneutics symbolic analysis contextual analysis of Gestalten historical analysis lab experiments, surveys

(Source: Morgan & Smircich, 1980, p.492)

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
2	Getting Started	Strauss & Corbin suggest the initial research question in a grounded theory study should identify the phenomenon to be studied. Moreover, action and process should be reflected in the research question. Identification of the original research question provides a directive to the researcher (i.e. what documents to look at, people to interview), which is subject to modification throughout, that is, refining and specifying more clearly the question.	According to Glaser “the research problem and its delimitation are discovered or emergent as the open coding begins on the first interviews and observations” (p.21). That is, getting started is part of the methodological process, and not to be preordained. This approach ignores the practicality of completing a research proposal to Post-Graduate Committee and Human Ethics Committee before interviewing participants from the field.
4	Getting Started		

Comments: Strauss & Corbin and Glaser have two different approaches to getting started in grounded theory studies. Strauss & Corbin suggest a research question, even if very broad, be formulated at the beginning. By contrast, Glaser suggests that the researcher “moves into an area with no problem” (p.22). He implies that Strauss & Corbin adopt a preconceived approach to research because of their suggestions on how to discover a suitable study. Glaser believes that the problem to be investigated should emerge from the area under investigation. However, this ignores the practical problem of completing a research proposal to Postgraduate and Human Ethics Committees before interviewing participants from the field.

3	Theoretical Sensitivity	Theoretical sensitivity has two sources. First, what knowledge of the literature, professional or experiential, the researcher brings to the study. Second, insights that are developed during the process of conducting a grounded theory study.	Theoretical sensitivity is very important. Without it, the researcher cannot derive a grounded theory. Personal attributes required by the researcher include conceptual acumen, understanding and be able to give meaning to the data.
5	Theoretical Sensitivity		

Comments: Both are saying the same thing with regard to sources of theoretical sensitivity. Also both state that anyone can generate grounded theory, however Glaser appears to emphasise the necessity for specific training, be it either sociological or in an analytical science. One area of contention to emerge at this early stage is Strauss & Corbin’s focus on conditions. This will be explained in later chapters.

APPENDIX B

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
4	The Uses of Literature	The literature has been classified into two types, Technical and Non-Technical. Because the purpose of grounded theory is discovery the authors caution against becoming imbued with the technical literature before commencement of the study. Thus, it is only after a category has emerged that the technical literature should be referred to, to identify if and how, it has been used. This approach will help guard against the research becoming “captive” of the literature.	Glaser identifies three types of literature. These are: 1) Non-professional, popular and pure ethnographic descriptions. 2) Professional literature related to the substantive area. 3) Professional literature unrelated to substantive area. With regard to related literature Glaser’s dictum is “there is a need not to review any of the literature in the substantive area under study” (p.31). Indeed, the literature should be reviewed and integrated <i>only</i> after the emergent theory is sufficiently developed.
6	Reading and Using the Literature		
<p>Comments: Strauss & Corbin believe the researcher should have some knowledge of the technical literature before entering the field, whereas Glaser believes review of related literature is to be avoided until the emergent theory has been formulated to enhance discovery in the area under study. Both agree on the need to integrate the literature with the findings of the study. For Strauss & Corbin this occurs when a category has emerged as significant. For Glaser this occurs after the emergent theory has been discovered.</p>			
5	Open Coding	In open coding the data is reduced to conceptual labels by analysis on some basis (e.g. a line by line basis; sentence by sentence basis; or paragraph by paragraph). Procedures such as asking questions of the data and making comparisons are employed to identify and develop categories in terms of their properties and dimensions.	The initial step of theoretical analysis is open coding which is continued until a core category emerges. The constant comparative analytic method is employed to derive a set of relevant categories, connected by theoretical codes to develop an integrated theory. According to Glaser there is only one relevant question to be asked of the data that leads to discovery. That is, “What category or property of a category does this incident indicate?” (p.39).
7	Open Coding		
<p>Comments: Glaser is critical of Strauss & Corbin’s approach to open coding which leads to a proliferation of concepts, dimensions and properties overlooking their relevance to the data collected and the emergent theory. However, Glaser appears to be more restrictive in his approach to naming a category. He indicates only two sources: sociological constructs and <i>in vivo</i> descriptions. Furthermore, Glaser elaborates on the issue of emergence versus forcing, saying Strauss & Corbin in their approach are forcing analysis of the data, rather than letting what is relevant to emerge. Fundamentally both are trying to achieve the same outcome.</p>			

APPENDIX B

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
6	Techniques for Enhancing Theoretical Sensitivity	<p>The Use of Questioning “To open up the data” and to consider potential categories, their properties and dimensions. Questions include, how, what, where, when, why, and who. In addition to questioning, Strauss & Corbin outline the four other methods to stimulate theoretical sensitivity:</p>	<p>The Use of Questioning Glaser advocates the use of four neutral questions to aid discovery. These are:</p>
8	Techniques for Enhancing Theoretical Sensitivity (The Drift into Preconception)	<ul style="list-style-type: none"> i) Flip Flop Technique - think analytically rather than descriptively. ii) Systematic comparison of two or more phenomena. Question data to take you away from the standard ways of thinking and allow exploration. iii) Far-out comparisons. iv) Waving the red flag - never take anything for granted. 	<ul style="list-style-type: none"> i) What is this data a study of? ii) What category or what property of what category does this incident indicate? iii) What is actually happening in the data? iv) What is the basic social psychological process or social structural process that processes the main problem that makes life viable in the action scene? (p.51).

Comments: Strauss & Corbin discuss various techniques for opening up the data, as an aid in the process of analysis, not to be done with every field note or interview. Glaser believes the methods suggested by Strauss & Corbin for opening up the data derail emergence. Furthermore he believes that the questions advocated by Strauss & Corbin force preconception and all the analyst needs is the constant comparison method (used within the data only) and four neutral questions to develop theory that emerges from the data. That is, just allow what is relevant and fits to emerge from the data.

7	Axial Coding	<p>Axial Coding is a process involving both inductive and deductive thinking to identify categories and sub-categories accomplished through making comparisons and asking questions. Pivotal in axial coding is the paradigm model to identify causal conditions, context, intervening conditions, action/ interaction, consequences related to the central phenomenon under investigation. Each category developed must be related to the paradigm model.</p>	<p>Glaser makes three criticisms. First, the chapter on axial coding is unnecessary for grounded theory that emerges and derives concepts that are relevant. Second, he criticises Strauss & Corbin for developing another method in its own right which forces conceptualisation from the data rather than allowing them to emerge. Third, Strauss & Corbin’s contribution is not scholarly because they do not recognise the contribution of Glaser in <i>Theoretical Sensitivity</i> to the development of grounded theory. Glaser believes in allowing for patience and trust to generate theory that fits, works and is relevant.</p>
9	Axial Coding		

Comments: According to Glaser, Strauss & Corbin have developed another version of grounded theory - a verificational model that forces conceptualisation through the application of the paradigm model. Glaser believes that grounded theory should emerge from the data and the analyst must be patient and trust that to occur. I agree with Glaser on the point that Strauss & Corbin have developed another version of grounded theory, nonetheless, both point to the need to derive theory from the actual data collected.

APPENDIX B

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
8	Selective Coding	Selective Coding according to Strauss & Corbin is the selection of a core category, systematically identifying major categories and relating these to each other as well as to the core category, for each category influences and is influenced by the others. They outline five integrating procedures to be used in developing a conceptually integrated grounded theory.	For Glaser, discovery of the core category is "automatic". Through the tasks of coding and using the constant comparative method the core variable emerges from the data and has the properties of relevance and work. As Glaser states "it just has to, as it is on all the participants' minds one way or another" (p.77). Therefore, the data will determine what is the core category.
10	Selective Coding		
<p>Comments: The schism between Strauss & Corbin and Glaser is growing. Glaser's position is to allow theory to emerge from the data, and the core category <i>will</i> emerge - "it is automatic" (p.77). He accuses Strauss & Corbin (however, only ever refers to Strauss) of forcing the analysis/selection of a core category through the use of rules and dictums. Further, he suggests that the steps may be suitable for "conceptual description", but that is not grounded theory. He also criticises Strauss & Corbin for not being scholarly because they do not recognise prior works such as Discovery of Grounded Theory and Theoretical Sensitivity.</p>			
9	Process	According to Strauss & Corbin process is a fundamental element of grounded theory analysis, for process captures change. That is, the linking of changing conditions to action and interaction, or lack of it, to the phenomenon under study.	Glaser is critical of Strauss & Corbin's controlling method to "force data without studying relevance" (p.90), and not trusting theory to emerge from the data. He believes that process is a theoretical code that will emerge if relevant, therefore it should not be forced as suggested by Strauss & Corbin.
11	Process		
<p>Comments: Strauss & Corbin believe the researcher should be aware and capture process in a grounded theory analysis. Action and interaction must be linked to the paradigm model (discussed under Axial Coding). By contrast Glaser suggests patience, and what is relevant will emerge. He refers to Strauss & Corbin's work as "a new method" (p.94) that generates conceptual description <u>not</u> grounded theory.</p>			
10	The Conditional Matrix	Strauss & Corbin define a conditional matrix as "a framework that summarises and integrates ... while at the same time explicates how the various kinds of conditions (causal, contextual, intervening) can be tightly woven into one's analysis" (p.159). The key is to make linkages at each level (international, national, community, organisational, sub-organisational, group or individual) to action/ interaction.	Glaser is critical of Strauss & Corbin, advancing once again pre-ordained theoretical codes - the six C's - instead of allowing codes to be discovered from the data, and what is relevant to emerge. Glaser states "the grounded theorist will only use a levels analysis when it occurs; he does not preconceive it" (p.97) i.e. it depends on the substantive study and what emerges.
12	The Conditional Matrix		
<p>Comments: The conditional matrix developed by Strauss & Corbin is an analytical tool useful for linking factors at various levels directly to a phenomenon, particularly conditions and consequences. Glaser, however, is highly critical of this tool because it forces theory, rather than allowing it to emerge.</p>			

APPENDIX B

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
11	Theoretical Sampling	According to Strauss & Corbin theoretical sampling proceeds on the basis of concepts developed that have "proven theoretical relevance to the evolving theory" (p.77). For each level of coding there is a relevant approach to sampling that has a specific purpose. The purpose of sampling in open coding is to discover as many potentially relevant concepts as possible. Under Axial Coding the purpose of sampling is to relate concepts identified and validate those relationships against the paradigm model: conditions, context, action/interaction, and consequences. Discriminate sampling is conducted under selective coding to substantiate relationships between categories and to fill in the gaps. Theoretical sampling continues until saturation of categories occurs.	Primarily an inductive method, deductive thinking is used minimally in grounded theory studies. He focuses on the process of discovery, letting relevant ideas emerge from the data, to guide continued data collection. In grounded theory, theoretical sampling is a continuing guide to data collection.
13	Theoretical Sampling		

Comments: Both authors present similar definitions of theoretical sampling. Two areas that can be identified where they differ significantly are sampling procedures and testing. Glaser criticizes Strauss for elaborating on sampling techniques to be employed within each level of coding. He believes the sampling techniques occur naturally, thereby, offering no assistance to the researcher. For Glaser, these techniques add to his conviction that Strauss is "forcing his paradigm on the data" (p.102). Second, Glaser is very critical of Strauss for setting up and testing hypotheses, rather than allowing what is relevant to emerge from the data as theory is generated. For Glaser, grounded theory is primarily an inductive method, and testing is not relevant to the grounded theory method.

APPENDIX B

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
12 14	Memos and Diagrams Memos	To capture the ongoing analytic process, memos and diagrams are an essential component of any grounded theory. They commence at the beginning of the project and continue until the final draft has been written. For each level of coding the authors point to the differing purpose of memos and diagrams. Amongst other things, in open coding memos and diagrams capture early thoughts, and can detect relationships that may occur from the data for subsequent verification. In axial coding the purpose is to suggest and to verify linkages between categories and their sub-categories in relation to the paradigm. Development, refinement and integration of categories around the core category is the purpose of memos and diagrams in selective coding.	However, Glaser is critical of the fracturing of memos into various types because the purpose of memos is to capture ideas that occur to the researcher at various stages of the study, not to be pedantic about style and content at a particular stage in the research project. As the emergent theory unfolds, the memos will change, reflecting the enhanced theoretical sensitivity of the researcher.
<p>Comments: Both authors agree on the central role of memoing to the grounded theory process. They differ however on the detail. Glaser believes memos in style and content will change during the discovery of an emergent theory. By contrast, Strauss & Corbin have linked styles of memos to the paradigm model.</p>			
13 15	Writing Theses and Monographs, and Giving Talks About Your Research Writing	This chapter gives useful suggestions regarding writing for publication, whether it be a thesis, monograph, book, journal article or verbal presentation, in response to a series of questions anticipated by the authors.	<p>Glaser states "when the sorting of all memos is done, it is just obvious when to write and what to write about and how to present the integrated picture" (p.111).</p> <p>Glaser, of Strauss & Corbin's techniques, once again accuses them of forcing conceptual description. The analyst is writing about "a main concern being resolved by a core variable" (p.112). Glaser (p.113) states that the "outline for writing is simply an emergent product of the sorting of memos".</p> <p>Glaser's position on when to write is clear. When the sorting is completed and an integrated theory with a core variable has been identified, then it is time to write. It is obvious, as it is the next logical step. Similarly, what to write about is obvious. The core variable, and supporting categories, that are "relevant work and fit" into the integrated theory, will determine what is to be written about.</p>
<p>Comments: Once again, the same conflict emerges, Forcing versus Emergence.</p>			

APPENDIX B

Analysis of Grounded Theory by Strauss & Corbin (1990) and Glaser (1992)
Determination of The Differences Between The Two to See if They Are Significant

Chpt	Title	Strauss & Corbin (1990)	Glaser (1992)
14	Criteria for Judging a Grounded Theory Study	<p>The researcher, doing qualitative research must make the procedures followed <u>explicit</u> to enable readers to assess their appropriateness.</p> <p>Strauss & Corbin list seven criteria that might serve as evaluative criteria, in question format. The authors urge researchers to adhere to these guidelines unless there are important reasons for not doing so. They acknowledge that these criteria, depending upon the research project, may need to be modified.</p>	<p>Glaser explains that the discussion by Strauss & Corbin of quantitative criteria as applied to grounded theory is totally inappropriate i.e. reproducibility and generalisability. Also he is critical of the seven criterion judgements and seven empirical grounding of the study. He is critical of the former because they are generic to all research conducted. And, he is critical of the latter because the criterion listed are inherent in the grounded theory <i>process</i> of analysis.</p>
16	Criteria for Judging Grounded Theory		

Comments: Hence, the argument of Forcing versus Emergence. Both support the need for a researcher to make explicit decisions during the research process yet, Glaser once again is critical of Strauss & Corbin for two primary reasons. Firstly, because Strauss & Corbin ignore the criteria developed in earlier works of assessing grounded theory, that is, fit, work, relevance, modifiability, parsimony, and the scope in explanatory power (see Discovery of Grounded Theory and Theoretical Sensitivity). Secondly, Glaser accuses Strauss of diverging from generating grounded theory into a new method of full conceptual description supported by the paradigm model.

APPENDIX C

INITIAL LETTER OF CONTACT

8 July 1994

1~

Dear 2~

Currently I am engaged in a masterate research project that investigates underlying influences leading to the emergence of the Crown Financial Statements. This letter is to invite you to participate in the fieldwork which is to be associated with the project. The supervisor for this project is Professor Hector Perera.

The study will involve an investigation of the role of domestic and international trends in the evolution of Crown Financial Statements. Should you be willing to be involved in this study you would be asked to permit an audio-taped interview with me. This interview will be at your convenience and of not more than ninety minutes duration. The interview will be semi-structured and designed to ascertain information relating to the development of Crown Financial Statements. Audio-taping this session will help to ensure accuracy of content, however you may participate without being audio-taped. All responses are kept confidential and the information disclosed in the interview will remain anonymous. All tapes will be erased at the completion of the project.

You will be provided with a copy of the interview transcript for corroboration before data analysis. At the conclusion of the research you will be provided with a summary of the completed report and access to the final thesis. It is anticipated that there will be publications in academic journals arising from the thesis.

It is hoped that the outcomes of this study will provide a positive contribution to our understanding of the emergence of Crown Financial Statements in New Zealand.

I do hope that you are willing to participate in this project and I look forward to working with you. Please find enclosed a contact sheet for you to complete. This indicates your interest in participating in the research. Could you please return this by Friday 5 August 1994. Upon receiving an expression of interest from you I will contact you to arrange a time to discuss your participation further in the project. Meanwhile, should you have any queries with respect to any aspect of the project please do not hesitate to contact me.

Thank you for considering my request.

Yours sincerely,

Joanne Lye

Telephone: (06) 356-9099, ext. 4466
Fax: (06) 350-5617

APPENDIX D**LIST OF PARTICIPANTS**

	Interviewee	Position At Time of Reform	Position at April 1995
1.	Dr Ian Ball	Director of Financial Management Support Service located within Treasury 1987-1994.	Professor of Accounting and Public Policy, Victoria University of Wellington (60%); Senior Adviser, Financial Management, The Treasury (40%).
2.	Mr Roger Beckett	Manager Personal and Indirect Tax Policy Section, Fiscal Affairs Branch, The Treasury.	Chief Analyst, Financial Management Branch, The Treasury.
3.	Hon. David Caygill	Associate Minister of Finance 1984-1988; Minister of Finance 1988-1990.	Deputy Leader of the Opposition
4.	Sir Roger Douglas	Minister of Finance 1984-1988.	Director Roger Douglas Associates Ltd; Leader of ACT political party
5.	Rt Hon. David Lange	Prime Minister 1984-1989.	Member of Parliament
6.	Mr Martin Matthews	Assistant Auditor, Audit Office.	Assistant Auditor General, Office of the Controller and Auditor General.
7.	Dr June Pallot	Senior Lecturer, Victoria University of Wellington.	Senior Lecturer, Victoria University of Wellington.
8.	Mrs Lyn Provost	Director of Professional Services, Audit Office.	Assistant Auditor General, Office of the Controller and Auditor General.
9.	Ms Ruth Richardson	Minister of Finance 1990-1993	Consultancy Business - Ruth Richardson [NZ] Ltd. Strategic and Economic Policy Advice.
10.	Dr Graham Scott	Deputy Secretary - The Treasury 1979-1986; Secretary to the Treasury 1986-1993.	Consultancy Business - Graham Scott (New Zealand) Ltd
11.	Mr Kevin Simpkins	Technical Director, New Zealand Society of Accountants 1989-1993.	Assistant Auditor General (Accounting and Auditing Policy), Office of the Controller and Auditor General.
12.	Mr Brian Tyler	Controller and Auditor General, 1983-1992.	Consultant
13.	Mr Ken Warren	Audit Director, Audit Office	Director Financial Reporting, The Treasury.

APPENDIX E**CONTACT SHEET**

for the research investigating

THE EVOLUTION OF CROWN FINANCIAL STATEMENTS

**undertaken by Joanne Lye, for the requirements of Masters of Business Studies in the
Department of Accountancy, Massey University**

Name: _____

I am available for participation in the research.

YES / NO

If YES please indicate when it will be convenient for me to contact you to discuss your participation in the project further.

Please return your response in the enclosed self-addressed envelope before Friday 5 August 1994.

Thank you for your support.

Joanne Lye
Accountancy Department
Massey University
Private Bag 11222
Palmerston North

Telephone: (06) 356-9099, ext. 4466
Fax: (06) 350-5617

APPENDIX F

CONSENT FORM

for participants in the research project entitled:

Evolution of Crown Financial Statements

conducted by
Joanne Lye, Accountancy Department, Massey University

I am satisfied that I have been fully informed of the nature and purpose of the research project and that I can ask any further questions about the study any time during my participation.

I understand what is involved in my participation in the project.

I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study.

I therefore

- (i) agree to participate in the research project
- (ii) give my consent to information and materials produced in the course of this study being used by the researcher for the purpose of completing the associated masterate thesis and writing associated academic papers, subject to:
 - Anonymity with respect to myself being protected by the researcher at all times. I also understand I may have access to the transcribed interview before analysis if I wish.
 - Confidentiality with respect to all information which may be potentially harmful, or injurious to myself, should it become public knowledge, being maintained by the researcher.
 - Confidentiality with respect to all information which I have requested be confidential, or understood to have been given by me in confidence, being maintained.
 - Use of audio-tapes of personal interviews, being subject to the obtaining of my written informed consent. I understand that I am permitted to stop the tape at any point during the interview.
 - Access to the audio-tapes and transcripts of personal interviews by no one other than the researcher, her supervisors and thesis examiners unless I give written permission.

.....Name

.....Designation

.....Signature

.....Date

APPENDIX G**THANK YOU LETTER**

30 September 1994

1~

Dear 2~

Re: Masterate Research titled: Evolution of Crown Financial Statements in New Zealand

Thank you for the time you made available to me in the interview of 30 August 1994. I am afraid I underestimated the amount of time it would take to transcribe the interview and I apologise for the delay.

A copy of the transcript is enclosed for your perusal. If you have any additions or amendments I would be glad to hear from you.

It was interesting to share your insights on the evolution of Crown Financial Statements and without co-operation from yourself and others with knowledge of the subject area, this important work would be that much more difficult.

Yours sincerely

Joanne Lye

Telephone: (06) 350-4450
Fax: (06) 350-5617

APPENDIX H**REQUEST FOR SECOND INTERVIEW**

10 November 1995

1~

Dear 2~

Re: Request For Second Interview

Last year I interviewed you for my masterate thesis titled: Evolution of Crown Financial Statements in New Zealand. Since that time I have given two conference presentations and two seminars, all derived from the work I have done based on interview data collected. The thesis is in its final stages.

From analysis of the data collected from thirteen interviewees, I have generated a conceptual model which represents my interpretation of factors that led to the evolution of Crown Financial Statements in New Zealand. To assist me in refining the model, I would like to interview you again for half an hour. The purpose of the second interview would be to explain the model to you and to further develop the theoretical concepts illustrated in the model.

I hope you will be able to participate further in this research. Please find enclosed a contact sheet indicating your interest in the research. Could you please complete this and return in the enclosed self-addressed envelope by Wednesday 22 November 1995. Meanwhile, should you have any queries with respect to any aspect of the project please do not hesitate to contact me.

Thank you for your help in this matter. I look forward to meeting with you again.

Yours sincerely

Joanne Lye

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