An investigation into government owned corporatised entities and strategic management of multiple stakeholders in the Australian land development sector

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ABSTRACT

In the context of corporatised government entities where managers are told to operate on commercial principles, and yet undertake some projects that are not profitable, a difficult set of circumstances is created by these seemingly conflicting objectives. There is little information on this phenomenon. In this study I address the lack of knowledge through the lens of stakeholder and institutional theories that form the basis of this study.

In Australia, there has been a trend towards reforming the public sector. Corporatising many government departments at all levels has been a major outcome. These entities play a significant, growing, but little understood role in the economy. Some of the many examples of public entities required to carry out these objectives include government owned urban development corporations.

The exploration of this phenomenon and some of the difficulties and issues it presents are the focus of this study. The selection of the urban development corporations is salient given the heavy focus on housing affordability and affordable living in Australia today.

This research employs qualitative case study methodology. Interviews and focus groups are the selected method of data collection and are supplemented with document analysis. Participants are a purposefully selected group of executive managers from these entities. In addition one Treasury department was selected as representative of all state government Treasury departments.

The findings add to the literature and advance theory in a number of ways. The private sector is identified as a very important stakeholder in the public sector. Manipulation as a strategic response to demands from stakeholders exists in the complex relationship between these entities and the private sector. The Oliver (1991) strategic responses to institutional processes model can be extended to include an active and positive strategic response indicating managers at times go “above and beyond” what is required by stakeholders. Other findings confirm the more attributes a stakeholder possesses the more
managers will “notice” them. This finding concurs with the Mitchell et al (1997) stakeholder typology model. These attributes include power, legitimacy and urgency. However, the type of power whether coercive or symbolic can influence the decision making of managers. Further findings indicate some institutional factors can be more influential than others as predictors of strategic response. The findings also suggest the type of management control system (MCS) in use in the organisation can be predicted from the overall strategic response of management to demands from stakeholders.
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On a personal note I wish to thank George for his constant support and encouragement over this journey and to my friends and family who endured the ups and downs which inevitability arise on a long and arduous journey.
DECLARATION

I hereby declare that this thesis has not previously been presented for any other degree or diploma. To the best of my knowledge, this work does not contain any material previously published or written by another person except where due reference is made and the thesis is not written in collaboration with any other person. The sources of information are listed in the references.

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GRAINNE OATES

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# TABLE OF CONTENTS

Abstract.................................................................i
Acknowledgements..................................................iii
Declaration..............................................................iv
List of Tables..........................................................x
List of Figures.........................................................xi

## CHAPTER 1 INTRODUCTION
1.1 INTRODUCTION......................................................1
1.2 BACKGROUND AND CONTEXT........................................2
1.3 STATEMENT OF PURPOSE AND RESEARCH QUESTIONS ........3
1.4 PROBLEM...........................................................4
1.5 RATIONALE AND SIGNIFICANCE.................................4
1.6 OVERVIEW OF RESEARCH FINDINGS AND CONCLUSIONS .......6
1.7 THESIS FORMAT....................................................6
1.8 SUMMARY..........................................................7

## CHAPTER 2 LITERATURE REVIEW
2.1 INTRODUCTION...................................................8
2.2 NEW PUBLIC MANAGEMENT........................................8
2.3 NEW PUBLIC FINANCIAL MANAGEMENT (NPFM) ...............9
2.4 COMMUNITY SERVICE OBLIGATIONS (CSOs)..................12
   2.4.1 Characteristics of a CSO................................................13
   2.4.2 Funding methods.........................................................16
   2.4.3 Costing methods.........................................................18
   2.4.4 Transparency............................................................19
   2.4.5 Performance measurement........................................20
2.5 STAKEHOLDER THEORY IN THE PUBLIC SECTOR CONTEXT ....20
   2.5.1 Theory of the firm.......................................................24
   2.5.2 Approaches to stakeholder theory...............................25
   2.5.3 The Mitchell, Agle and Wood (1997) model...............26
2.6 INSTITUTIONAL THEORY...........................................29
   2.6.1 Legitimacy...............................................................29
   2.6.2 Dependency............................................................30
   2.6.3 Consistency.............................................................31
   2.6.4 Control.................................................................32
   2.6.5 Strategic Responses................................................34
2.7 MANAGEMENT CONTROL SYSTEMS – STYLE OF USE ........35
   2.7.1 Diagnostic control system.......................................36
   2.7.2 Interactive control system.....................................38
2.8 SUMMARY........................................................41

## CHAPTER 3 CONCEPTUAL FRAMEWORK
3.1 INTRODUCTION..................................................43
3.2 OPERATING ENVIRONMENT.......................................44
3.3 MANAGEMENT CONTROL SYSTEMS..........................45
   3.3.1 Levers of Control.....................................................45
3.4 EXTERNAL ENVIRONMENT........................................46
   3.4.1 Overview of the Mitchell et al (1997) model................47
3.4.2 Stakeholder attributes ................................. 47
3.4.2.1 Power ................................................. 48
3.4.2.2 Legitimacy .......................................... 49
3.4.2.3 Urgency .............................................. 49
3.4.3 STAKEHOLDER TYPES .................................. 50
3.5 OVERVIEW OF THE OLIVER (1991) MODEL ................................................................. 51
3.5.1 Predictive factors of strategic response .................. 51
3.5.1.1 Cause ................................................. 52
3.5.1.2 Constituents ........................................... 53
3.5.1.3 Content ................................................ 54
3.5.1.4 Control ............................................... 55
3.5.1.5 Context ................................................ 56
3.6 Strategic responses .............................................. 57
3.6.1 Acquiesce ................................................. 57
3.6.1.1 Acquiesce .............................................. 57
3.6.1.2 Compromise ......................................... 57
3.6.1.3 Avoid .................................................. 57
3.6.1.4 Defy ................................................... 57
3.6.1.5 Manipulate .......................................... 58
3.8 SUMMARY .................................................... 59

CHAPTER 4 RESEARCH METHODOLOGY .................................................. 60
4.1 INTRODUCTION ............................................. 60
4.2 RESEARCH PHILOSOPHY .................................. 60
4.3 RESEARCH DESIGN ........................................... 61
4.4 QUALITATIVE VERSUS QUANTITATIVE DATA .............................................................. 61
4.5 INDUCTION VERSUS DEDUCTION APPROACH ....................................................... 62
4.6 METHODOLOGICAL APPROACH .......................................................... 65
4.6.1 Case study .................................................. 68
4.7 SAMPLING PROCEDURE ........................................... 71
4.8 ACCESS TO CASE STUDY SITES .................................................. 72
4.9 RESEARCH SITES .............................................. 73
4.10 OVERVIEW OF INFORMATION REQUIRED ...................................................... 74
4.11 RESEARCH METHODS ............................................. 75
4.11.1 Document review .......................................... 76
4.11.2 Focus group ................................................ 78
4.11.3 Interviews .................................................. 78
4.12 ETHICAL CONSIDERATIONS .................................................. 83
4.12.1 Informed consent .......................................... 83
4.12.2 Confidentiality ............................................ 83
4.12.3 Consequences ............................................ 83
4.13 FIELDWORK ................................................... 84
4.14 DATA ANALYSIS ............................................. 86
4.14.1 Categorisation and Coding ................................... 87
4.15 CROSS CASE ANALYSIS ........................................... 89
4.16 QUALITY OF THE RESEARCH ............................................... 90
4.16.1 Reliability .................................................. 90
4.17 SUMMARY .................................................... 91

CHAPTER 5 ANALYSIS OF ALPHA .................................................. 92
5.1 INTRODUCTION ............................................. 92
5.2 OVERVIEW OF ALPHA ........................................... 92
5.2.1 Reports ..................................................... 92
5.2.2 Board and executive ..................................... 93
# List of Tables

<table>
<thead>
<tr>
<th>Table Number</th>
<th>Table Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Summary of the Types of Relevant Information for Assessing the Performance of Government Trading Enterprises</td>
<td>11</td>
</tr>
<tr>
<td>2.2</td>
<td>Characteristics of CSOs</td>
<td>13</td>
</tr>
<tr>
<td>2.4</td>
<td>A Comparison of Diagnostic, Interactive and Dynamic Control Systems</td>
<td>41</td>
</tr>
<tr>
<td>3.1</td>
<td>Institutional Antecedents and Predicted Strategic Responses</td>
<td>52</td>
</tr>
<tr>
<td>4.1</td>
<td>Major Differences Between Deductive and Inductive Approaches to Research</td>
<td>64</td>
</tr>
<tr>
<td>4.2</td>
<td>Different Qualitative Methodologies</td>
<td>66</td>
</tr>
<tr>
<td>4.3</td>
<td>Matching Research Questions with Strategy</td>
<td>67</td>
</tr>
<tr>
<td>4.4</td>
<td>Overview of Information Needed</td>
<td>75</td>
</tr>
<tr>
<td>4.5</td>
<td>Qualitative Data Collection Methods: A Summary Overview</td>
<td>76</td>
</tr>
<tr>
<td>4.6</td>
<td>Summary of Documents Reviewed</td>
<td>77</td>
</tr>
<tr>
<td>4.7</td>
<td>Overview of Research Information Required</td>
<td>82</td>
</tr>
<tr>
<td>4.8</td>
<td>Summary of Interviews Conducted</td>
<td>85</td>
</tr>
<tr>
<td>5.1</td>
<td>Alpha's Financial Results in $'000</td>
<td>99</td>
</tr>
<tr>
<td>5.2</td>
<td>Alpha's Non-Financial Achievements</td>
<td>102</td>
</tr>
<tr>
<td>5.3</td>
<td>Summary of Revenue Received from the State Government Amounts in $'000</td>
<td>122</td>
</tr>
<tr>
<td>6.1</td>
<td>Beta's Economic Performance in $'000</td>
<td>134</td>
</tr>
<tr>
<td>6.2</td>
<td>Beta's Environmental Care Performance</td>
<td>136</td>
</tr>
<tr>
<td>6.3</td>
<td>Beta's Social Development Performance</td>
<td>137</td>
</tr>
<tr>
<td>7.1</td>
<td>CSO Contributions Received from the State Government (in $'000)</td>
<td>167</td>
</tr>
<tr>
<td>7.2</td>
<td>Gamma's Financial Performance (in $'000)</td>
<td>168</td>
</tr>
<tr>
<td>7.3</td>
<td>Summary of Performance Targets and Measures</td>
<td>170</td>
</tr>
<tr>
<td>7.4</td>
<td>Summary of Revenue and Equity Received from the State Government (in $'000)</td>
<td>188</td>
</tr>
<tr>
<td>8.1</td>
<td>Delta's Economic Performance (in $'000)</td>
<td>200</td>
</tr>
<tr>
<td>8.2</td>
<td>Delta's Non-Financial Achievements</td>
<td>201</td>
</tr>
<tr>
<td>8.3</td>
<td>Summary of Income Received from Joint Ventures (in $'000)</td>
<td>212</td>
</tr>
<tr>
<td>8.4</td>
<td>Summary of Revenue Received from the State Government (in $'000)</td>
<td>218</td>
</tr>
<tr>
<td>9.1</td>
<td>Summary of Propositions</td>
<td>223</td>
</tr>
<tr>
<td>9.2</td>
<td>Summary of Findings Relating to CSO Definition</td>
<td>224</td>
</tr>
<tr>
<td>9.3</td>
<td>Summary of Findings Relating to CSO Funding</td>
<td>225</td>
</tr>
<tr>
<td>9.4</td>
<td>Summary of Findings Relating to CSO Transparency</td>
<td>226</td>
</tr>
<tr>
<td>9.5</td>
<td>Summary of Findings Relating to CSO Performance Reporting</td>
<td>227</td>
</tr>
<tr>
<td>9.6</td>
<td>Summary of Findings Relating to MCS Style of Use</td>
<td>227</td>
</tr>
<tr>
<td>9.7</td>
<td>Summary of Findings Relating to Stakeholder Identification and Importance</td>
<td>228</td>
</tr>
<tr>
<td>9.8</td>
<td>Summary of Findings Relating to Stakeholder Type</td>
<td>231</td>
</tr>
<tr>
<td>9.9</td>
<td>Strategic Response and Tactics Employed with Government</td>
<td>233</td>
</tr>
<tr>
<td>9.10</td>
<td>Strategic Response and Tactics Employed with the Private Sector</td>
<td>235</td>
</tr>
<tr>
<td>9.11</td>
<td>Strategic Response and Tactics Employed with Treasury</td>
<td>237</td>
</tr>
<tr>
<td>9.12</td>
<td>Strategic Response and Tactics Employed with the Community</td>
<td>239</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

FIGURE 2.1 IDENTIFICATION OF A CSO ........................................................................................................................ 12
FIGURE 3.1: CONCEPTUAL FRAMEWORK .................................................................................................................... 44
FIGURE 3.2: STAKEHOLDER TYPOLOGY: ONE, TWO OR THREE ATTRIBUTES PRESENT ................................. 48
FIGURE 4.1 OVERVIEW OF RESEARCH PHILOSOPHY AND APPROACH ........................................................... 70
FIGURE 5.1 STAKEHOLDER IDENTIFICATION – ALPHA ....................................................................................... 107
FIGURE 6.1: STAKEHOLDER IDENTIFICATION – BETA ........................................................................................... 142
FIGURE 7.1 STAKEHOLDER IDENTIFICATION – GAMMA ..................................................................................... 175
FIGURE 8.1: STAKEHOLDER IDENTIFICATION – DELTA ...................................................................................... 204
FIGURE 9.1 OVERALL STAKEHOLDER IDENTIFICATION ......................................................................................... 231
CHAPTER 1 INTRODUCTION

1.1 INTRODUCTION

This study explores the phenomenon of how managers in government owned corporatised entities balance the demands of multiple stakeholders. The purpose of this multicase study is to explore with managers of a sample of entities their perceptions of how they manage these multiple stakeholders with conflicting demands. Corporatised government entities were established to operate on commercial principles. However, they are also often required to provide community service obligations (CSOs). The Industry Commission (now the Productivity Commission) (1997:7) defines a CSO as follows:

“A CSO arises when a government specifically requires a public enterprise to carry out activities relating to outputs which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sector to undertake, or which it would only do commercially at higher prices”.

This unique situation which government owned entities find themselves in is the focus of this current study.

The information generated from this inquiry affords new insights to inform organisational practice, government policy and advance theory. This research employs qualitative case study methodology. Interviews and focus groups were the selected method of data collection and were supplemented with document analysis. Participants are a purposefully selected group of executive managers from four government owned corporatised entities. The entities have been actively pursuing commercial, social and environmental objectives and have been in operation for a minimum of five years. The managers selected for interviewing have a minimum of two years experience in the organisation and the industry. Data were also gathered from representatives from a Treasury department with an interest in the operations of the entities.

This chapter begins with an overview of the context and background that frames the study. Following this is the problem statement, the statement of purpose, and accompanying research questions. The chapter concludes with a discussion of the proposed rationale and significance of this research.
1.2 BACKGROUND AND CONTEXT

In Australia, over the past few decades, there has been a trend towards reforming the public sector. Corporatising many government departments at all of federal, state and local government levels has been a major outcome of this reform. These corporatised entities play a significant, growing, but little understood role in the Australian economy. Corporatisation of these government entities is based on the notion that these organisations should act more commercially to achieve more efficient operations.

The Australian public sector landscape is replete with corporatised public bodies. These bodies are now expected to function as profitable entities, albeit with legislated requirements to achieve social and environmental objectives that would appear to often directly conflict with the notion of earning a profit. This creates the paradox of profitability versus social responsibility (DeWit and Meyer 2010). They suggest it is not possible to solve this problem but that it is possible to manage it through strategy. As public services have been tendered out, apparently to be offered more efficiently, all three tiers of government have adopted New Public Management (NPM) techniques (Hood 1995). The emphasis is on resource efficiency in provision of public services. Some of the many examples of public entities required to carry out these objectives include the provision of affordable housing, which was previously provided by state government departments but is now provided by government owned urban development corporations.

Unlike some other countries, Australia is in the grip of a housing crisis. Whilst house prices in parts of Europe and the USA fall, house prices in Australia continue to rise, creating an affordability gap for first-time home owners in particular. In addition, high house prices are forcing more of the population into rental housing. A consequent shortage of rental housing has driven up rents to unaffordable levels for many. All of this is compounded by an estimated shortage of 55,000 housing units each year, so the problem continues to grow. The problem of rental affordability has been so severe that as part of the Global Financial Crisis (GFC), the Federal government provided billions of dollars of economic stimulus to investors who construct housing stock for below market
rents through a once-off National Rental Affordability Scheme. While billions of dollars in stimulus has been offered this scheme is proving slow to get off the ground (Burke and Hulse 2010). Another federal scheme allocated AU$6.4 billion to social housing. This scheme will have little impact on housing affordability in the market place as it is aimed at homeless people, people with disabilities and Indigenous households (Burke and Hulse 2010).

A government response at state level has been to provide housing assistance to low income earners through various continuing schemes. These schemes include rental assistance, the provision of public housing, and establishing corporatised land development bodies which both compete with and partner with the private sector in an effort to increase the housing stock. These corporatised land development bodies are the focus of this research.

While these schemes aim to increase affordable housing stock and on one hand this is what purchasers want, on the other hand when purchased the owner wants wealth creation from the transaction. This is a problem for the government and is raised as a concern by Burke and Hulse (2010: 829).

"Affordability is a two edged sword: aspirant home purchasers want lower housing prices but once in ownership they have an interest in higher prices as the key to wealth accumulation. This creates a difficult problem for governments, as they cannot implement policies to reduce home prices without alienating existing owners who are in much greater numbers than potential purchasers. This is a recipe for policy inertia around affordability."

The exploration of how managers react to this phenomenon and its difficulties and issues is the focus of this study. The selection of the government owned property development organisations is salient given the heavy focus on housing affordability and affordable living in Australia today.

1.3 STATEMENT OF PURPOSE AND RESEARCH QUESTIONS
The purpose of this study is to explore the managers' perceptions of how they manage to meet the expectations of multiple stakeholders with conflicting demands. It is anticipated that, through a better understanding of the actions of managers acting on behalf of the government and the issues and challenges they face, more informed decisions can be made by both managers and
government policy makers. To shed light on the problem, the following research questions are addressed:

1. How do government owned entities in the Australian land development industry define and respond to CSOs?
2. Who are the stakeholders in the environment of the Australian land development industry as perceived by managers of government owned organisations in this industry?
3. How important do managers of these organisations perceive these stakeholders to be?
4. What attributes do these stakeholders possess?
5. How do managers strategically respond to these stakeholders?
6. Does the strategic response of management indicate the type of management control system likely to be used in the organisation?

1.4 PROBLEM
In the context of corporatised government entities where managers are told to operate on commercial principles, and yet at the same time undertake some projects that are not profitable, a difficult set of circumstances are created by these seemingly conflicting objectives. There is little information on this phenomenon in the context of corporatised government entities. This study addresses this lack of knowledge through the lens of stakeholder and institutional theories that form the basis of this study. Literature on New Public Management and Management Control Systems is also introduced where appropriate.

1.5 RATIONALE AND SIGNIFICANCE
The question of the role of corporatised statutory authorities, and the effectiveness with which they deliver community service obligations, should be of great interest to the community, given the importance of the social needs met, and the size of the expenditure involved. Delivering CSOs as part of a larger commercial operation may offer economies of scale, making it possible to deliver the CSO at a lower cost. There may also be a benefit in terms of
management and skills as a „commercial” enterprise: the statutory authority may have access to a wider talent pool, able to draw on skilled personnel from the private sector, for whom service in a public sector organisation would not be a desirable career option. In a relatively small country like Australia, this could be a valuable advantage. As a further point, perhaps we can think beyond the somewhat static idea of the statutory authority, by its corporatised nature, automatically achieving higher states of efficiency. There may be a real, dynamic benefit if the corporatised authority proves to be a more adaptive and innovative organisational structure than its public sector alternative. Finally, while corporatisation has not automatically made the costs of CSOs completely transparent, their identification as hidden costs in a commercial context may be a necessary step towards accurate measurement, especially in as much as it is an improvement over the seemingly intractable opacity of costing in a public sector department. Corporatised statutory authorities consume vast amounts of human and financial government resources, and as agents of government, are driven by the responsibility to utilise resources efficiently. These entities are asked to act commercially and return a commercial rate of return but are also under government directives to provide community service obligations.

A further rationale for this study emanates from the researcher’s desire to better understand the behaviour of managers acting on behalf of the government in public sector organisations. These managers may be stifled by bureaucracy rules and regulations, or may be energised through a sense of freedom, trusted and allowed to be innovative and entrepreneurial. To date, no empirical studies have examined the implications of multiple stakeholders with conflicting demands on the behaviour of managers in corporatised government owned entities. This study provides empirical evidence by letting the data speak but at the same time being guided by models that examine the impact of stakeholder attributes and institutional factors on the responses of management to conflicting stakeholder demands.

Increased understanding of the environment in which these organisations exist may afford greater insights to manager’s behaviour and thus lead to improved organisational practice. This may also lead to improvements in public policy.
Improved outcomes from these organisations have the potential to be of benefit to society at large.

1.6 OVERVIEW OF RESEARCH FINDINGS AND CONCLUSIONS
The research findings add to the literature and advance theory in a number of ways. The private sector, not previously identified as a stakeholder in the public sector, is perceived by management to be one of their most important stakeholders. Manipulation as a strategic response to demands from stakeholders, not previously identified, exists in the complex relationship between corporatised government entities and the private sector. The Oliver (1991) strategic responses to institutional processes model can be extended to include an active and positive strategic response indicating managers at times go above and beyond what is required by stakeholders. Other findings confirm the more attributes a stakeholder possesses the more managers will notice them: this finding concurs with the Mitchell, Agle and Wood (1997) stakeholder typology model. These attributes include power, legitimacy and urgency. However, the type of power whether coercive or symbolic can influence the decision making of managers. Further findings indicate some institutional factors, as predictors of strategic response can be more influential than others. The findings also suggest the type of management control system (MCS) in use in the organisation can be predicted from the overall strategic response of management to demands from stakeholders.

1.7 THESIS FORMAT
This thesis contains ten chapters, a reference list, and ten appendices. Chapter 2 reviews the literature pertaining to this research. The conceptual framework is presented in Chapter 3. Chapter 4 presents the methodological approach adopted for this research. The chapter begins with an overview of the different research philosophies, followed by a discussion on the particular approach taken. The research design is presented as well as the justification for why a qualitative case study approach was employed. Data collection procedures, sources of data, data collection plan and how the case sites were selected are also presented. Analysis of the evidence collected including the data analysis
techniques, followed by a discussion on research validity and reliability as well as ethical considerations conclude the chapter.

Chapters 5 through 8 present the analysis and findings of the study and Chapter 9 presents the findings from the cross case analysis. Chapter 10 presents the contributions to knowledge the study has made, identifies the study’s limitations and also provides directions for future research.

1.8 SUMMARY
This chapter has described the critical components of this research study: context and background, purpose, and research questions. In addition to these components, the chapter also presented an overview of the findings of the research and described the thesis format. Chapter 2 presents the literature review for this study.
CHAPTER 2 LITERATURE REVIEW

2.1 INTRODUCTION
This chapter reviews and critiques the relevant literature pertaining to this study. This review leads to a conceptual model, which is tested through data collection and analysis. This chapter also provides sources of secondary data as well as supplementary validation that are used later in the thesis to explain why the findings support or differ from the existing literature. Therefore the literature reviewed includes theoretical discussions and empirical evidence. The review combines knowledge with critical thought. Further literature is discussed in the data analysis chapters, where deemed appropriate.

This chapter is presented in four sections. Section one presents the literature from various authors on new public management (NPM) in public sector organisations and includes a discussion on the most recent reform, new public financial management. Section two presents the literature on stakeholder theory. Section three presents a review of the literature on institutional theory. Section four discusses management control systems (MCS), specifically the use of control systems.

New public management presents the context within which the public sector operates. Stakeholder and Institutional theory provides a useful starting point for understanding managers’ responses to certain phenomena. While the two theories are initially discussed separately, the interplay between them adds strength to our understanding of strategic responses to pressure from multiple stakeholders. The convergent insights of stakeholder and institutional theories are therefore applied in conducting this research.

2.2 NEW PUBLIC MANAGEMENT
The push for corporatisation and privatisation to make government enterprises more efficient and effective falls under the ideology of new public management (NPM) (Hood: 1995; Lapsley 2009). NPM has resulted in a shift in focus for government organisations. In summary, the shift has been from policy making to management skills, from a process focus to outputs focus and more recently from outputs to outcomes focus. This shift in focus resulted in government
organisations reporting efficiency in much the same way as the private sector (Hood 1995). A focus on efficiency is critical to the long-term survival of any organisation, and to ensure taxpayers’ money is not wasted. However, government entities also need to focus on measuring the impacts of their activities on society. Their activities may come at a high cost financially, but if not provided could in the long run be more costly to society in terms of standard and quality of life. These activities, if provided on a non-commercial basis, are commonly referred to as CSOs. The impacts to society of CSOs should be measured by effectiveness rather than the traditional economic measures of efficiency.

2.3 NEW PUBLIC FINANCIAL MANAGEMENT (NPFM)

The public sector in Australia has been through many reforms and is now faced with yet another, public financial management. While in the past many researchers (Hood 1995; Olsen and Peters, 1996; March and Olsen, 1995) have focused on NPM, more recently research on public financial management has emerged (Olson, Humphrey and Guthrie 2001). While reforms are often necessary and can have positive outcomes it is also important to consider some potential negative consequences. Reform for the sake of reform should not be acceptable. With further pressure on public sector managers to conform to new requirements it is critical to ensure the organisational objectives are the focus and the emphasis is not simply on meeting new measurements. This potential problem is discussed by Olson et al (2001:506) and they argue that:

“Public services face a gloomy and unattractive future under NPFM – with the pursuit of efficiency and effectiveness potentially resulting in a damaging spiral of fewer and fewer public services being provided at ever-higher unit costs”.

They refer to this as the public sector’s “evaluatory trap”. The evaluatory trap comprises two key parts: a) evaluation leads to more and more evaluation and b) management becomes focused on performing against the evaluatory framework, rather than the objectives of the organisation.

Government trading enterprises and other government entities collect and structure data in preparation for reporting information to multiple stakeholders with a focus on efficiency, all costing time and money. Performance of public
sector organisations is formally reported to parliament and in annual reports and is of interest to many stakeholders. The focus on efficiency continues and it raises an important question posited by Olson et al (2001:517): “Is social cohesion, solidarity and caring for the weak best expressed through organisational income statements, balance sheets and performance indicators?” However no suggestions are made on how to measure social cohesion for example, which would be a difficult task. Even though effectiveness of outcomes may not currently be reported, corporatised government entities are expected to be transparent and report performance information. The importance of reporting to stakeholders to enhance traceability is raised by Lee (2006:35):

“…while performance information is essential for effective management of GTEs, it is also important to report this information to other interested stakeholders to enhance transparency and promote the public interest”.

Lee suggests reporting needs to focus on both commercial and social GTE (Government Trading Enterprises) performance, using financial and non-financial measures and indicators. Table 2.1 is a summary of the types of relevant information for assessing the performance of government trading enterprises. It is noted in Table 2.1, while social and environmental information is listed and regarded as relevant information for assessment of the performance of GTEs, there is no attempt made to indicate how to measure these dimensions.
<table>
<thead>
<tr>
<th>Information area</th>
<th>Examples of indicators</th>
<th>Major arguments</th>
<th>Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Rate of return</td>
<td>Increasing commercial focus</td>
<td>IFAC 1996, Productivity Commission, 2001</td>
</tr>
<tr>
<td></td>
<td>Level of debts</td>
<td>GTEs are largely self funded</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost recovery</td>
<td>Essential for financial viability</td>
<td></td>
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<tr>
<td></td>
<td>Interest coverage</td>
<td></td>
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<td></td>
<td>Current ratio</td>
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<td></td>
<td>Dividend payout</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>Labour productivity</td>
<td>Major focus of GTE reforms</td>
<td>NSW Annual Report (Statutory Bodies) Regulation 1985, Micallef et al 1994,</td>
</tr>
<tr>
<td></td>
<td>Capital productivity</td>
<td>Possible substitution effect on partial productivity ratios such as effect of</td>
<td>ANAO 1996, IFAC 1996, Scales 1996, Queensland Treasury 1997, WA Treasury</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>Actual performance against target</td>
<td>Facilitates identification of objectives</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Indicates achievement of objectives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Response to customer complaints</td>
<td>market mechanism</td>
<td>and Goldwater 1999</td>
</tr>
<tr>
<td></td>
<td>Reliability of service</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Achievement of social objectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environmental indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Narrative analysis of financial performance</td>
<td>understand factors influencing performance and how objectives have been</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Narrative analysis of non-financial performance</td>
<td>achieved</td>
<td></td>
</tr>
</tbody>
</table>

Source: Lee (2006:40)
Corporatisation changes the conditions under which entities operate. Following corporatisation, organisations operate as far as practical on a commercial basis and continue to be publicly owned. The state as owner on behalf of the people provides strategic direction, as well as setting financial and non-financial performance targets and community service obligations (Smith 2000).

2.4 COMMUNITY SERVICE OBLIGATIONS (CSOs)
Community Service Obligations (CSOs) are defined in Chapter 1, Section 1.1. While this definition was proposed for use by all state governments by the Productivity Commission, in practice only two state governments and one territory have adopted the definition. All other states continue to use their own versions, which include variations on the defining elements of CSOs. Figure 2.1 presents a diagram to help identify a CSO. It is used in the analysis of data collected from the four case units to identify a CSO.

**Figure 2.1 Identification of a CSO**

![Diagram for identifying a CSO](image)

**Corporatised Government Entity**
The characteristics of CSOs, the funding methods employed, the method of costing CSOs, transparency of CSOs in annual reports, the measurement and impact of the provision of CSOs is the focus of the ensuing discussion.

### 2.4.1 Characteristics of a CSO

Baird (2001) conducted a review of CSO literature, which revealed seventeen definitions. He condensed the definitions into ten factors or characteristics prominent in terms of describing the nature of a CSO, which are shown in Table 2.2. Table 2.2 shows Baird"s (2001) review, alongside comments from other authors who have also written on the difficulty of defining CSOs. These characteristics will be used in the analysis chapters to help define the entities’ activities.

#### TABLE 2.2 CHARACTERISTICS OF CSOS

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Baird’s comments</th>
<th>Other authors’ comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government directive</td>
<td>The definition provided by the Commonwealth Treasury specifically states that a CSO must result from an explicit directive or legislative requirement.</td>
<td>It is not always easy to establish as services may be supplied based on tradition or established practice rather than an explicit direction (Haddad, cited in Baird 2001).</td>
</tr>
<tr>
<td>Conditions specified</td>
<td>The government may impose pricing or other constraints that affect the manner in which the service is to be provided.</td>
<td>As outlined in a report by the Australian Consumers Association (1994) „Many GTEs are statute limited in their operations. A public transport authority is not permitted to enter the interstate coach business. These are constraints not imposed on commercial entities”.</td>
</tr>
<tr>
<td>Identifiable community benefit</td>
<td>All definitions make reference to terms such as „social objectives”, „social reasons” and „social justice strategy”.</td>
<td>The aim of providing CSOs is to achieve social justice objectives and would have to provide some social benefit to the community in order to be classified as a CSO (Haddad, cited in Baird 2001).</td>
</tr>
<tr>
<td>The business would not have chosen to perform this service</td>
<td>If an organisation was going to perform a service anyway then it is not really an obligation as such.</td>
<td>(Smiles, cited in Baird 2001) stated that the overriding principle to be followed in identifying and quantifying a CSO is to answer the question „what would you do differently if the obligation was removed?”</td>
</tr>
<tr>
<td>Contract between government and Government Trading Enterprise (GTE)</td>
<td>Contractual agreements between the GTEs and ministers should be entered into to ensure that the CSOs are provided in line with the government’s requirements.</td>
<td>Scott 1996 noted „The contracts should explicitly state the procedures to be followed in regard to the delivery of CSOs and specify such things as dispute resolution mechanisms and accountability. (Hood 1997) asserts that Contracts should enhance the</td>
</tr>
</tbody>
</table>
Likelihood that CSOs are provided in an efficient and effective manner and assist in evaluating the performance of the GTEs responsible for providing the CSOs, thereby enhancing the accountability of their performance.

| Provision of all funds by government | Is the provision of government funding an essential characteristic of a CSO? | Humphry (1997: 8) states that CSOs should be budget funded, with the cost of the CSO negotiated as part of a separate and legally binding contract between the GBE and the purchasing department. However past studies (Commonwealth Treasury 1990, cited in Steering Committee 1994; Chester 1994) have stated that governments may not directly compensate the GBE for providing a CSO and instead choose to lower the target rate of return of a GBE. Humphry (1997) discusses the importance of subjecting CSOs to the budget scrutiny process as it ensures that CSOs are appropriate and cost effective, and compete with other government initiatives on an equal footing. |
| Revenue less than costs | Not all loss making services should be categorised as CSOs as business enterprises may continue to pursue commercial activities that incur short term losses or alternatively deliberately choose to provide certain services at a loss for commercial reasons as opposed to any community obligation. The provision of all CSOs will not necessarily result in a net loss. | Three papers (NSW Treasury 1993; Steering Committee 1994; Walker 1994, cited in Baird 2001) have focused on the commercial–non-commercial distinction as a means of distinguishing between ordinary services and those that should be classified as CSOs. The Steering Committee (1994) have described a non-commercial service as a service that cannot generate sufficient revenue to cover the costs of supplying it. Michael (1994, cited in Baird 2001), asserts that to place this restriction on defining a CSO would neglect those activities that do make some profit, albeit a lower amount than normal, but which should still be classified as a CSO. |
| Service is essential to the community | This factor is restrictive in that while a service may provide a community or social benefit, it may not be viewed as being essential if the community can survive without the service. It is dependent on an interpretation of the term „essential“ which is subjective. Consequently, if this |

Martin (1996) argues in summary, the essential element of a CSO is that it provides an identifiable community or social benefit (PCA 1995: 73). Not all identifiable community or social benefits are classified as CSO some are defined as community service standards (CSS).
factor were used in the definition of a CSO, a commentary on the meaning of essential would need to be provided.

some cases CSSs are delivered by the utility itself, but in others the responsibility for CSS delivery is transferred to other government or private welfare agencies, as is the case with the Energy Relief Grant in Victoria.

The entity is not under a social or moral obligation to provide the service.

This factor attempts to identify if an organisation’s social or moral responsibility to perform a service in any way influences the classification of the service as a CSO.

The Public Accounts Committee of Western Australia (2000) raised their concern in regards to a corporatised statutory authority objecting to the directive to perform a CSO. In this type of case it appears a Supreme Court Judge will make the final ruling.

Can a private sector firm provide a CSO?

Because of reduced access to information it is unlikely that private sector firms due to the impact on public accountability would provide CSOs.

While in some instances private firms may provide similar services as those provided by government organisations, the firms would be compensated for such services on a commercial basis.

Walker (1994:116,) argued that the „CSOs provided by public sector organisations are not all that different from the practices of private sector firms“. Proust (1997) states „access to information is reduced when private enterprises provide such services.“ Humphry (1997:22) asserts that „CSOs are, or should be regarded as, programs or activities of Government that are delivered through a Government owned business“.

Source: Adapted from Baird (2001)

The term CSO continues to be ambiguous and confusing. Wilson (2007:4) made the following comment:

„Government is frequently implementing changes to its suite of social policy measures so that standards of living within society can, in aggregate, be maintained and enhanced, this in itself is not surprising given the dynamic nature of today’s market based economy. However, the similarity between many of these measures and the lack of clarity about the distinctions between CSOs, concessions and CSO related non market services (NMSs) has led to there being some uncertainty about what are and are not CSOs, and as a result, uncertainty about the management of various social policy measures, particularly the delivery of CSOs“. While what constitutes a CSO has been discussed and raised in the literature, the various methods used to fund CSOs are also important in the context of corporatised public bodies.
2.4.2 Funding methods

There are a number of funding methods employed by state governments to reimburse corporatised entities when a CSO is carried out. The governments can finance programs such as CSOs in many ways such as:

- Cross-subsidies between different users;
- Levies on users;
- Direct funding (including contracting out);
- Acceptance of lower rates of return on capital;
- Direct cash transfers to consumers

An example of cross subsidisation is evident in the Victorian Transport Accident Commission (TAC) insurance concession. Under this CSO, holders of federally issued pensioner concession cards or gold cards receive a 50% reduction on the TAC fee component of their registration bill. This measure is cross-subsidised by all other motorists through the motor vehicle registration system. In 2002-03 this concession was provided to 505,261 individuals at a cost of $75.1 million. This increased in 2005-06 to 546,604 individuals at cost of $86.7 million (Wilson 2007).

An alternative to cross-subsidisation for funding the costs of CSOs is a levy on users. Consumption levies on all users would make the cost of internally funded CSOs explicit. Under this approach, all users could have a line item on their bill covering the cost of providing each CSO. This requires an estimate of the cost of this service so that it can be apportioned to all subscribers, but it has the advantage of making the cost explicit and appears to have lower administrative costs (Steering Committee on National Performance Monitoring of GTEs, 1994).

Alternatively, governments can directly fund GTEs, or private firms, to provide CSOs. The choice involves judgements as to their relative impact on allocative efficiency. Unlike cross-subsidisation, direct funding avoids the resource allocation effects from increased prices in the high margin markets and the need for barriers to entry. It also offers greater transparency through annual budget review and it allows for the possibility of competition in the provision of...
CSOs through a tender process. On the other hand, direct funding has a real resource cost, as it is financed through the tax system (IC, 1997).

Instead of directly funding the losses from providing CSOs, the government could accept a lower rate of return from the GBE. As this is similar to direct funding, it has many of the same advantages. However, indirect funding may not subject CSOs to the same level of scrutiny as that applied during annual budget processes to CSOs that are funded directly (IC, 1997).

Cash payments to supplement the incomes of targeted groups are often suggested as the most efficient form of income support. Supplementing the incomes of targeted groups with cash transfers avoids the need for public enterprises to provide services on a non-commercial basis. Consumers are free to spend the supplement on goods or services of their choice so as to maximise the benefits and therefore should be the most economically efficient form of income support. In principle, it is likely to be more efficient for governments to adopt a commercial pricing structure for GTE services and provide for access to these services among the targeted groups by increases in pensions or other cash transfers (SCNPMGTE, 1994).

One example of this is the education payment/new school start bonus, where half of the bonus is provided directly to parents who have children entering Prep ($205 in total) or year 7 ($410 total) to assist with costs such as uniforms and books (the other half of the bonus is paid directly to the school for identifiable costs such as stationary and books) (Wilson 2007).

At times the government intervenes and maintains that a better solution may be to provide non-cash assistance for example, coupons, for use on what are considered essential goods. This has advantages in that the vulnerable in the community will receive essential goods but it also removes the right of individuals to make choices. However, the question of accountability remains: should the users of government funds - the individuals - be accountable for how they spend the targeted funds? An example of this type of government intervention is currently being played out in the Northern Territory, Australia in terms of pensions to the indigenous community.
Some methods may be more or less transparent. Martin (1996) suggests the lower rate of return on capital method is the least transparent and presents scope for inflation of the cost of the service provision, or may disguise poor GTE performance. This may alter GTEs behaviour and provide scope for political interference (IAC 1989: 12930).

2.4.3 Costing methods
An equally important issue concerning CSOs is cost. The literature presents many reasons as to why costs incurred by corporatised government bodies in delivering CSOs need to be determined:

- The costs of CSOs must be taken into account to allow a GTE’s commercial performance to be assessed. This is particularly important when any comparative analysis between GTEs and the private sector is undertaken;
- It provides the information for „one side of the equation” when assessing whether or not the benefits from the provision of a good or service as a CSO exceed its costs. It also assists in any broader studies undertaken in assessing the costs of meeting the Governments” social objectives;
- Measurement of a CSO’s cost is necessary to assist in determining whether or not the CSO is being delivered in the most efficient manner; and
- It provides an indication to Government of the amount required to compensate GTEs for undertaking CSOs, to enable them to operate on a competitively neutral basis.

(Australian Consumers’ Association 1994; Cook 1999; The Productivity Commission 2004; Western Australia Government 2000)

Measuring costs requires judgment, as there are alternative ways in which costs can be defined and classified. There are three methods currently in use namely the avoidable cost method, fully distributed costs method, and the foregone revenue method. The means by which costs are to be defined and classified should be made explicit. Otherwise, there can be a lack of consensus of what the actual cost is and massive implications in terms of future funding. This is highlighted in the following example. „The Bureau of Transport and
Communication Economics, using avoidable cost, estimated Telecom’s CSOs to cost $148 Million annually. Telecom, using fully distributed costs, estimated the same CSOs to cost $800 million annually.” (The Australian Consumers’ Association, 1994:5). As well as inaccuracy in costing concerns, the cost of CSOs needs to be separated out. The Office of State Owned Enterprises (1994) outlined the following concerns if costs fail to be separated out:

- An excuse for Government business inefficiencies
- Poor operating return
- Encourage the waste of resources through poorly designed or targeted programs

Since the total estimated costs of CSOs Australia wide is in excess of $3.9 billion the accurate assessment of costs should be of concern (Cook 1999, Productivity Commission 2004). However, it should be noted that some CSOs are unreported and unfunded, and others are reported but are also unfunded (Productivity Commission 2004).

2.4.4 Transparency

Transparency of performance information of corporatised government entities was a focus of the Productivity Commission (PC) (2001). The PC raised a couple of concerns; first, there was no reporting on consumer, community and other social outcomes as previously reported by the steering committee; and second, GTEs which were privatised or had their operations contracted out to the private sector were excluded from the report. Further transparency could be achieved by making social obligations of corporatised government entities more explicit and was raised by Cook (1999). The process of making social obligations more explicit has a number of advantages. These are to:

- better specify the non-commercial objectives of GTEs
- make the cost of CSOs more transparent;
- reduce the costs imposed on some users;
- improve and monitor the delivery of CSOs to targeted recipients;
reduce inconsistencies in the national performance monitoring of GTEs (IC, 1997:6)

The Public Accounts Committee of Western Australia conducted an inquiry into Community Service Obligations in the Western Australia Public Sector in 2000. The committee concluded:

"The committee believes that as CSOs represent a relatively substantial proportion of Government expenditure and an extremely important source of funds for the provision of essential services to many regional areas, an increase in transparency and consistency across all providers of CSOs will only serve to improve the provision of these services." (Public Accounts Committee 2000:x)

2.4.5 Performance measurement

While efficiency is traditionally measured by the outputs produced from the number of inputs, effectiveness is more difficult to measure. Effectiveness can be measured in the form of outcomes, defined by the Australian National Audit Office (2007:11) as

"The results or impacts on the community or the environment that the Government intends to achieve" whereas outputs are "The actual deliverables agencies produce to generate the desired outcomes specified by the government".

The impact of the provision of CSOs on corporatised government entities was reported on by the Steering Committee on National Performance Monitoring of Government Trading Enterprises (GTE) (1994:vii):

"... CSOs can have a significant impact on the performance of GTE’s depending on the manner in which they are financed and the proportion of their activities which are subject to CSOs."

Another potential significant impact not considered in the report is the very real challenges faced by management of these organisations in attempting to meet a commercial rate of return and deliver CSOs. The behaviour of managers in dealing with this complex issue is the focus of this current study.

2.5 STAKEHOLDER THEORY IN THE PUBLIC SECTOR CONTEXT

Whether public or private the environment in which an organisation sits comprises stakeholders or actors. These actors or stakeholders will influence
the way in which managers manage their organisations. The first scholar to present a theory asssessing the role of actors in the firm's environment was Freeman (1984). His book, entitled „Strategic Management: A Stakeholder Approach”, is acknowledged to have brought stakeholder theory into the forefront of management literature. Freeman (1984) recounted the origins of the stakeholder concept, which was used for the first time at the Stanford Research Institute in 1963; stakeholders were first defined as: „Those groups without whose support the organisation would cease to exist." Freeman (1984:31) extended this definition. He defines a stakeholder as „Any group or individual who can affect or is affected by the achievements of an organisation’s objectives.” Since 1984, much research has centered on stakeholder theory. Between 1984 and 2007, 179 articles directly addressed Freeman’s work on stakeholder theory (Laplume, Sonpar and Litz 2008:1152). Following their review of stakeholder theory over a period of greater than twenty years, these scholars called for „...more qualitative research to document cognitive aspects of how managers respond to stakeholder expectations...” This request lends support to the qualitative approach taken in this current research. There are five themes stakeholder theory addresses: a) stakeholder definition and salience, b) stakeholder actions and responses, c) firm actions and responses, d) firm performance and e) theory debates (Laplume et al 2008). The stakeholder focus in this current research is on stakeholder identification and importance as well as firm actions and responses.

The term „stakeholder” implies some form of having a „stake” in the organisation and some typical stakeholders according to Bucholtz and Rosenthal (2004:144) are „consumers, governments, competitors, communities, employees and stockholders.”

Collier (2008:935) asserts „Much of the argument behind stakeholder theory is that economic pressures to satisfy only shareholders is short-term thinking and organisations need to ensure there survival and success in the long term by satisfying other stakeholders as well.” This is especially important where the focus of the organisation is not that of maximising of shareholder wealth but providing a service or product to the community on behalf of government. The
survival and success of these organisations is based not only on satisfying short-term economic performance but also on satisfying multiple stakeholders over the long-term. There may also be situations where a stakeholder may not want the entity to survive. In this case it is important for the organisation to recognise this in its management of the business.

Stakeholder saliency is thus an important concept to consider, as it helps explain what and to whom organisations managers should pay attention. According to Simmons and Lovegrove (2005) approaches to stakeholder salience represent different uses of stakeholder theory. Descriptive approaches seek to explain which stakeholders managers pay attention to and why. Normative perspectives present philosophical or moral arguments for the recognition of stakeholder views. Instrumental or managerial rationales link stakeholder classification to potential benefits in corporate governance and organizational effectiveness.

For any organisation the stakeholders must be identified. Mitchell, et al (1997) developed a typology of stakeholder salience and stakeholder identification to capture management’s perceived view of prioritization of stakeholder relationships.

There is no reference in Lee’s (2006) work, (see Table 2.1) to who stakeholders in a government context might be and no attempt to define them, which would be a complex matter. However an attempt has been made by Kloot and Martin (2000: 237) to define stakeholders in the context of local government:

„The concept of „stakeholders“ is problematic when applied to Australian local government as there is a diversity of groups often with different interests, for example the state government, which provides funding and the legislative framework under which local government operates. Obvious stakeholders include the federal government (which provides some funding), ratepayers, the wider local community, consumers and clients of local government services, while employees, councillors and suppliers have significant interests in issues affecting local government.”

These stakeholders defined above are stakeholders in the context of local government. There appears to be no empirical evidence to suggest these stakeholders are the stakeholders perceived important or otherwise by
managers of public sector organisations. There is also no evidence to suggest how managers in the public sector prioritise stakeholders where multiple stakeholders exist. In a theoretical paper by Neville and Mengue (2006:387) with a focus on governments, customers and employees they propose “…that the influence of government would be greater than that of consumers, and that the influence of consumers would be greater than employees.”

The stakeholders of public sector organisations differ from the shareholders of a traditional firm where the emphasis is on maximizing wealth. Therefore, stakeholder theory is applicable to this research, given the absence of shareholders in the traditional sense. The term “stakeholder” implies some form of having a “stake” in the organisation and some typical stakeholders according to Buchholz and Rosenthal (2004:144) are “consumers, governments, competitors, communities, employees and stockholders.” The relationship and interaction managers of a public sector organisation have with stakeholders offers a possible alternative to the economic model of the firm to explain firm behaviour. The stakeholder model is more appropriate for government owned organisations where the focus is broader than the traditional firm, which is mainly focused on economic outcomes.

Freeman (1984:46) defined a stakeholder as “any group or individual who can affect or is affected by the achievements of an organisation’s objectives”. Organisations have numerous stakeholders and these can impact only slightly on the organisation or heavily influence the actions of the entity.

Multiple and interested stakeholders will often have multiple and conflicting requirements and will require performance reports from the organisation. In a democratic society, public sector organisations acting on behalf of government are expected to be transparent both in terms of their economic viability and social benefits to the community. The corporatisation of government entities into Australia’s development industry has expanded the limits of the industry. The government entities within the industry now push the private sector to be more innovative and encourage risk taking to improve standards and practices. The transformation of the industry over this time renders it important to explain stakeholder salience, that is, how managers of an entity balance and prioritise
competing stakeholder demands. Identification and salience is examined within the context of the public sector, in particular how both stakeholders and stakeholder salience may have changed over time.

The competing interests of stakeholders make it difficult for management to balance their accountability responsibilities. Management therefore needs to identify and prioritise the demands or requirements of their most influential stakeholders. This dilemma faced by managers is referred to as "The principle of who or what really counts" Freeman (1994). In an institutional environment where multiple stakeholders with conflicting objectives exist, stakeholder theory can help managers identify which stakeholders they should pay attention to. The extremes in terms of power and disempowerment of stakeholders have been raised by scholars in the stakeholder field as issues worth considering for empirical research (Collier 2008; O'Dwyer and Owen 2005). This research will identify which stakeholders are perceived to be powerful.

2.5.1 Theory of the firm

Fundamentally, the stakeholder argument is that organisations should have an interest in all stakeholders and not just shareholders. Laplume et al (2008:1153) suggest stakeholder theory is "timely yet adolescent, controversial yet important" due to the emergence of formal organisations, the lack of empirical validity on key propositions (Jones 1995), the questioning of the conventional assumption that the pursuit of profit is management’s main concern (Jensen 2002) and the importance of how organisations affect society (Hinings and Greenwood 2002; Stern and Barley 1996).

The current dominant theory of the firm is the economic model, with a focus on shareholders. Over the last two decades scholars have called for a new theory, which would more accurately describe firm behaviour by focusing on stakeholder relationships (Brenner and Cochran, cited in Mitchell et al 1997); Donaldson and Preston 1995; Hosseini and Brenner 1992; Jones 1995; Wood 1991). This theory would explain firm behaviour by integrating observed social behaviour with observed economic performance (Key 1999). Brenner and Cochran (cited in Mitchell et al 1997) suggested that the stakeholder model might be an alternative to the current economic model. More recently Bucholtz
and Rosenthal (2004:144) suggest “stakeholder theory is considered to be something of an alternative to government regulation.” The recent global financial crisis (GFC) suggests a focus wider than shareholder and economic performance is not only important to society, but also necessary for long-term survival of the firm. Some of the world’s largest and wealthiest institutions collapsed under the strain of adhering to the economic model of the firm, maximising shareholder wealth. Therefore, it seems timely to consider the behaviour of government corporations in terms of a revised model of the firm. Government organisations have a wider focus than simply maximising shareholder wealth; they balance economic and social motives. The government is “the only entity that has the legitimacy to speak for society as a whole and can thus change the way corporations are governed and managed” (Buchholz and Rosenthal 2004:149). Given this government owned organisations have the potential to lead change and lead to a new theory of the firm. This research explores the relationships the organisation has with its stakeholders and how they are managed. There are different approaches to stakeholder theory and these are discussed next.

2.5.2 Approaches to stakeholder theory
There are essentially three approaches to stakeholder theory: descriptive/empirical, instrumental and normative. There have been issues with the development of stakeholder theory and Donaldson and Preston (1995:70) are of the view that one of the main issues has been the confusion about its nature and purpose. They have the following to say “…much of what passes for stakeholder theory in the literature is implicit rather than explicit, which is one reason why diverse and sometimes confusing uses of the stakeholder concept have not attracted more attention.” The definitions of the three approaches presented below are an attempt to address this concern and help clarify the content and the significance of the stakeholder concept:

**Descriptive/empirical:** The theory is used to describe, and sometimes to explain, specific corporate characteristics and behaviours.

**Instrumental:** The theory, in conjunction with descriptive/empirical data where available, is used to identify the connections, or lack of connections, between
stakeholder management and the achievement of traditional corporate objectives (e.g. profitability, growth).

**Normative:** *The theory is used to interpret the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations.*

The stakeholder model which is used in this current study combines both normative and descriptive approaches. The normative approach explains logically why managers should consider certain classes of stakeholders, and the descriptive approach explains the conditions under which managers do consider certain classes. The different stakeholder classes or types are defined in Section 2.5.3. The stakeholder model used in this study is the Mitchell et al (1997) model is also discussed in Section 2.5.3.

Despite the attempt of Donaldson and Preston (1995) to specify criticisms of stakeholder theory, new criticisms have continued to emerge. For example the control and provision of information which is relevant and accurate has not received much attention (Buchholz and Rosenthal 2004). This research will analyse the information provided to multiple stakeholders through publicly available reports.

### 2.5.3 The Mitchell, Agle and Wood (1997) model

A typology model to predict stakeholder salience and identification to capture management’s views of their stakeholders was developed by Mitchell et al (1997). While there have been competing typologies for categorizing stakeholders for example (Clarkson 1995; Frooman 1999; Friedman and Miles 2002) the Mitchell et al (1997) model is widely recognised as one of the most influential contributions to stakeholder theory. This model of how stakeholders influence organisations is based on stakeholder attributes. Following the synthesis of approximately twenty different studies on stakeholder identification by Mitchell et al (1997) they concluded that the three attributes which force managers to pay attention to stakeholders are power, legitimacy and urgency. These attributes have reasonable empirical support (Agle, Mitchell and Sonnenfield 1999; Boesso and Kumar 2007; Currie, Seaton and Wesley 2009;
Eesley and Lennox 2006; Knox and Gruar 2007; Parent and Deephouse 2007; Winn 2001). Other studies have found one attribute can be more influential than another. In a study of political parties O"Higgins and Morgan (2006:73) found „The presence of the legitimacy attribute is more likely than power or urgency to encourage a party to assign salience to a stakeholder”.

In contrast to this finding, Parent and Deephouse (2007) found the attribute power to have the most effect on salience, followed by urgency and then legitimacy. That particular study looked at large scale sporting event organising committees. These conflicting results indicate that further study is required to reach consensus on which attribute is more important to management and indeed if there are attributes which have not yet been considered. O"Higgins and Morgan (2006) suggest further attributes could be considered and could broaden or extend the Mitchell et al (1997) model. They suggest including attributes of ideology and values and believe the ideological dimension appears to be something beyond legitimacy. Overall Currie, Seaton and Wesley (2008) find the Mitchell et al (1997) model provides a pragmatic typology with a justifiable measure of stakeholder salience. The three attributes are defined by Mitchell et al (1997:865-866):

"a party to a relationship has power, to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship. Legitimacy refers to the degree to which a stakeholder relationship with an organisation is seen as appropriate, proper, and desirable in the social context. Urgency exists only when two conditions are met 1) when a relationship or claim is of a time sensitive nature and 2) when that relationship or claim is important or critical to the stakeholder.

Collier (2008) finds that the relative power, legitimacy and urgency can change over time. This suggests a longitudinal study would add more meaning to empirical findings. The interaction of the three attributes result in three classes of stakeholders: latent, expectant and definitive (Mitchell et al 1997). The latent group comprises dormant stakeholders, possessing the attribute power; discretionary stakeholders possessing legitimacy; and demanding stakeholders, possessing the attribute urgency. The expectant group comprises dominant stakeholders, possessing power and legitimacy; dependent, possessing
legitimacy and urgency; and dangerous, possessing power and urgency. The **definitive** group comprises stakeholders possessing all three attributes. It is important to note any expectant stakeholder can become a definitive stakeholder by acquiring the missing attribute. In a study conducted by Parent and Deephouse (2007) their findings suggest that most stakeholders were definitive, dominant or dormant. This would indicate that power and legitimacy are the most likely attributes present.

The Mitchell et al (1997) model has been applied many times as mentioned above and proves the usefulness of the model in studying stakeholder relationships in this study. Table 2.3 presents a summary of studies applying the model.

**TABLE: 2.3 APPLICATION OF THE MITCHELL ET AL (1997) MODEL**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baskerville-Morley</td>
<td>2004</td>
<td>Empirical</td>
</tr>
<tr>
<td>Neville and Mengue</td>
<td>2006</td>
<td>Theoretical</td>
</tr>
<tr>
<td>O'Higgins and Morgan</td>
<td>2006</td>
<td>Empirical</td>
</tr>
<tr>
<td>Cummings and Guthrie</td>
<td>2007</td>
<td>Empirical</td>
</tr>
<tr>
<td>Parent and Deephouse</td>
<td>2007</td>
<td>Empirical</td>
</tr>
<tr>
<td>Currie, Seaton and Wesley</td>
<td>2009</td>
<td>Empirical</td>
</tr>
<tr>
<td>Magness</td>
<td>2008</td>
<td>Empirical</td>
</tr>
<tr>
<td>Boesso and Kumar</td>
<td>2007</td>
<td>Empirical</td>
</tr>
</tbody>
</table>

Once management is aware of its stakeholders, the company strategy is then aligned with these stakeholders’ needs (Wolfe and Putler 2002). The relationship between strategy and stakeholders was discussed in some of Freeman’s (1984:74) research. He posited the following: „To be an effective strategist you must deal with those groups that can affect you, while to be responsive (and effective in the long run) you must deal with those groups that you can affect.” Following on from this, analysing the strategic actions an organisation takes in response to stakeholders may help us better understand
the organisation"s relationship with its stakeholders. Within this current study a model integrating stakeholder and institutional theory is used, which has not been done previously. The literature on institutional theory is discussed next.

2.6 INSTITUTIONAL THEORY

Institutional theory provides another useful starting point in explaining factors that influence the adoption of systems in organisations (Ansari & Euske 1987; Abernethy and Stoelwinder 1995; Abernethy & Chua 1996; Abernethy & Brownwell 1997; Brignell & Modell 2000; Lapsley & Pallott 2000; Modell 2001; Touron 2005). As Oakes, Townley and Cooper (1998:259) note: "organisations are constructed through institutionalized practices and historical experiences that construct normative models of organizational legitimacy."

Traditionally, institutional theorists focused on a two party framework of stakeholders for public sector organisations, namely funding bodies and professional service providers. This traditional two party framework was broadened by Brignall and Modell (2000) to include a third party, the purchasers of public services. The purchasers in the context of this study are likely to be the community. In an empirical study conducted by Kloot and Martin (2000) the importance of engagement with the community was highlighted. This was a significant finding as members of seven local councils were interviewed. The importance of the community in the context of the entities under review for this study is considered important because if the organisations do not engage with the community they cannot purport to know what the community wants or needs. While previous institutional theory literature presents two or three stakeholders, there is no empirical evidence to suggest these are the only players in the public sector arena. In fact the question of who the stakeholders are does not appear to have been asked. Therefore, empirical evidence is sought in this study. It is noted this evidence will present the stakeholders in one public sector arena only, and does not attempt to generalise for all public sector industries.

2.6.1 Legitimacy

Institutional theorists claim that an organisation"s ability to survive depends on conforming to social norms and attaining legitimacy from stakeholders
(DiMaggio and Powell 1983; Makela and Nasi 2010; Nasi (cited in Mitchell et al 1997); Zucker 1987; Zucker 1988). Institutional theorists have also argued that stakeholders, such as professional associations, outside interest groups, the state and public opinion create pressures that can cause organisations to change their control systems and structure, without any evidence that this will increase efficiency and effectiveness (Dacin, Goodstein and Scott 2002; DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1987; Powell and DiMaggio 1991; Scott and Christensen 1995). This concept of pressure from external constituents has not previously addressed the type of constituents or stakeholders exerting the pressure. This study will use the Mitchell et al (1997) typology model to address this gap in the literature.

The concept of legitimacy is different in the different contexts of stakeholder and institutional theories. In identifying legitimacy following the Mitchell et al (1997) model, an attempt is made to determine if the relationship with a stakeholder is legitimate in terms of social acceptability, and the focus is on the nature of the relationship. In institutional theory using the Oliver (1991) model the focus is on management perception. The Oliver model"s focus is on „why’: why is the organisation being pressured to conform to certain expectations? For example, will the organisation gain legitimacy by conforming? Legitimacy is particularly difficult in new organisational forms, for example corporatised government entities. The construction of legitimacy in the new form is particularly challenging as it requires „crafting both the institutional and material environments in which the new form seeks to embed itself…” (Purdy and Gray 2009:375). This study will investigate legitimacy in both contexts and is discussed further in the merging of the Mitchell et al (1997) and Oliver (1991) model in Chapter 3.

2.6.2 Dependency
Dependency on stakeholders is thought to influence the actions managers take in dealing with them and is explored in this current study. Previous research (Myer, Scott and Strang 1987; Gupta, Dirsmith and Fogarty 1994) has investigated the types of pressure constituents exert on organisations. The research was premised on the assumption that to secure legitimacy, practices
employed by an organisation were only ever symbolic and always decoupled from internal operating systems. This assumption has recently been questioned (Carruthers 1995, Chua 1995 and Mouritsen 1994). Also, Oliver (1991) suggests that in response to institutional pressures the organisation’s management enacts a specific strategic response. The model proposed by Oliver (1991) is used in this study to determine strategic response to different stakeholder types. Dependency on stakeholders is thought to influence the action managers take in dealing with stakeholders and is also explored in this study. Institutional scholars suggest dependency on external constituents will influence the way management and the organisation react to these constituents (DiMaggio and Powell 1983; Oliver 1991; Pfeffer and Salancik 1978). Dependency can have different forms: an organisation can be dependent on a stakeholder for financial or other scarce resources. It can also be that an organisation is dependent on a stakeholder for survival. Co-dependency is another form: a stakeholder is dependent on the organisation and the organisation is dependent on the stakeholder. When an organisation is heavily dependent on another DiMaggio and Powell (1983:154) hypothesise „The greater the dependence of an organisation on another organisation, the more similar it will become to that organisation in structure, climate, and behavioural focus.” The dependency on stakeholders of the case units under study for this research is investigated. Government owned organisations could be dependent on other organisations, for example private sector companies, to meet organisational objectives. This could be a potential problem if the two organisations have very different philosophies. Therefore, the consistency between these organisations is another factor which could impact on management strategic response in dealing with the external stakeholder or organisation (Oliver 1991).

2.6.3 Consistency
Consistency and inconsistency has created much discussion among institutional theorists (Clemens and Douglas 2005; Covaleski and Dirsmith 1988; DiMaggio and Powell 1983; Oliver 1991; Whetten 1978). „Inconsistency reflects organisational interests at cross purposes with institutional objectives
and provokes organisational doubts about the validity or legitimacy of institutional expectations” (Oliver 1991:165). This could be a problem for government owned entities with social and economic objectives and was raised by Martin (1996) when questioning if corporatisation and community service obligations were indeed compatible. This study, in exploring the reported outcomes of the case study units, will investigate this compatibility. Treasury, as a stakeholder of government owned entities, may demand the entity make as much money as possible, while the Responsible Minister may for example request provision of affordable houses, below market prices. This inconsistency between organisational goals is potentially a complex and difficult situation for managers of an organisation. This is indeed one of the motives for conducting this study. The manner in which these demands are placed on the organisation, in other words through what form of control the demands are exercised is also expected to influence the way in which managers will react to these pressures.

2.6.4 Control
Institutional theorists have researched control (Clemens and Douglas 2004; DiMaggio and Powell 1983; Dacin et al 2002; Oliver 1991; Pfeffer and Salancik 1978; Scott 1987). The way in which control is exercised is considered by Oliver (1991) to be a predictor of strategic response. „Institutional control describes the means by which pressures are imposed on organisations” (Oliver 1991:168). Pressures or isomorphic forces from an organisation"s institutional environment cause the adoption of certain practices (Abernethy and Chua 1996; DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1987). Three types of isomorphic forces have been identified: coercive, mimetic and normative (DiMaggio and Powell 1983).

Coercive isomorphism can be attributed to a common regulatory environment at all government levels, requiring adoption of controls to meet legal obligations (DiMaggio and Powell 1983). This force can also influence the adoption of management control systems (MCS) in public sector organisations (Abernethy and Chua 1996; Lapsley and Pallot 2000; Modell 2000; Modell 2001). Coercive force is exceptionally strong where deviations from institutional norms have
legal, moral or economic implications, such as incurring fines or loss of reputation (Kondra and Hinings 1998).

Mimetic force is a powerful factor encouraging imitation and causes managers to adopt practices where others perceived as successful have adopted them (DiMaggio and Powell 1983; Oliver 1991) The adoption of some MCS in public sector organisations is said by institutional theorists to be caused by mimetic force (Brignall and Modell 2000; Chua 1995; Covaleski and Dirsmith, Deephouse 1996; Lapsley and Pallot 2000). This is demonstrated in the public sector environment by organisations adopting NPM which was previously thought appropriate in private sector environments (Brignall and Modell 2000; Hood 1991; Lapsley and Pallot 2000).

Normative force arises when norms are shared among members of a recognised profession to establish acceptable practice (DiMaggio and Powell 1983; Scott 1987). Therefore it tends to be associated with the adoption of systems due to professionalisation. Associations and professional bodies can influence the adoption of MCS (Abernethy and Stoelwinder 1995; Abernethy and Chua 1996; Brignall and Modell 2000; Chua 1995; Touron 2005). Peer groups and professional associations typically support the adoption of practices that improve effectiveness (Modell 2001).

The way in which control is exercised on public sector organisations is often through Government mandate. This is demanded through legislation, regulation, reforms and calls for transparency and accountability. The consequences of non-compliance with government mandates would likely result in severe penalties. These pressures may also occur through voluntary diffusion (Oliver 1991), meaning that if they have already been taken up by other organisations in the field they will likely result in conformity, but that will depend on the number of organisations who have adopted the requirement or practice. The control mechanisms organisations adopt and use to guide strategic decisions and measure performance is discussed in Section 2.7 on management control systems.
2.6.5 Strategic Responses

Prior to a discussion on MCS it is imperative to discuss strategic responses within the context of public sector organisations. In the Oliver (1991) model, she predicts conditions under which organisations will resist pressures to conform and those under which organisations may adhere to institutional pressures. Managers are theorised to respond to demands across a continuum, from passive conformity to active resistance. This response is theorised by Oliver (1991) to depend on several factors, some of which are discussed above: legitimacy, dependency, consistency and control. The factors discussed were relevant to the selected organisations in the public sector context. This study will explore four types of strategic response proposed by Oliver (1991): acquiescence, compromise, defiance and manipulation. While prior research (Modell 2001) has found little evidence of manipulation occurring in highly institutionalised environments like the public sector, nonetheless it was decided within the context of this study to explore this type of strategic response as corporatised government entities are a fairly recent phenomenon and further research will enhance our understanding of management behaviour in these organisations. A strategic response of acquiescence represents compliance with institutional pressures and is found at the passive conformity end of the strategic response continuum. Manipulation is found at the active resistance end of the continuum, and according to Oliver (1991:157) can be defined as “the purposeful and opportunistic attempt to co-opt, influence, or control institutional pressures and evaluations.” However, Clemens and Douglas (2004:1211) find “…from the firm’s perspective, this strategy may represent an attempt to participate in the institutional process in a productive manner”. In between these ends are compromise and defiance. Oliver (1991) suggests there are three tactics employed in the spirit of conforming and accommodating institutional rules, norms, or values. These three compromise tactics are balancing, pacifying and bargaining. She suggests “in contrast to acquiescence, institutional compliance is only partial and organisations are more active in promoting their own interests” (Oliver 1991:154). A defiant strategy…represents unequivocal rejection of institutional norms and expectations, and it is more
likely to occur … when organisations believe they have little to lose by displaying their antagonism toward the constituents that judge or oppose them (Oliver 1991:157). The influence of the predictive factors of legitimacy, dependency, consistency and control on the strategic responses of acquiescence and manipulation are examined in the analysis chapters, Chapters 5 through 8. The literature on style of use of management control systems is discussed in the following section.

2.7 MANAGEMENT CONTROL SYSTEMS – STYLE OF USE

"It is time… we put the management back into management accounting" (Otley 2001:243). Otley (2001) argues that perhaps there has been too much emphasis on accounting when researching in the management accounting area and too little emphasis on management. His argument lends supports to the approach this study takes where the influence of stakeholders demands and management strategic actions are considered in light of the management control systems (MCS) in use in the cases analysed. One view is that rational managers are unlikely to adopt MCS that do not assist in enhancing performance. An alternate view is that managers may adopt MCS for institutional or political reasons that may be inconsistent with rational economic reasons (Chenhall 2003).

Scholars have shown considerable research interest in management control systems design and use (Abernethy, Bouwens and van Lent 2010; Bisbe and Otley 2004; Chenhall 2006; Davila 2000; Ferreira and Otley 2006; Ferreira and Otley 2009; Henri 2006; Otley 1994, 1999, 2001; Sundin, Granlund and Brown 2010; Widener 2007). MCS are set up to help achieve organisational objectives in an efficient and effective manner; this includes an attempt to influence employees’ behaviour (Otley 1980). The MCS can be used to influence innovation and to manage tensions between innovation and organisational predictable goal achievements (Simons 2000). The literature presents two potential uses of control systems. These are diagnostic and interactive and were first described by Simons (1990; 1995). In the literature they are often referred to as “styles of use” and also “levers of control”. These control systems can be used independently or can be combined. The use of the diagnostic and
interactive control systems is investigated in this study, in light of strategic responses taken by management to multiple stakeholders’ demands.

2.7.1 Diagnostic control system

A diagnostic control system is a formal feedback information system. It is used to monitor control variables identified by management as critical to the success of the business. Effectiveness (probability of successfully meeting goals) and efficiency (largest potential for marginal gain over time) are the prime criteria for the selection of measures used in diagnostic control systems (Simons 1995). Simons (1994:170) defines the diagnostic control system use as:

„Formal feedback systems used to monitor organisational outcomes and correct deviations from preset standards. Diagnostic control systems exemplified by business plans and budgets are the prototypical feedback systems used to track variances from preset goals and manage by exception. Analysis of critical performance variables influences the design of diagnostic systems."

An analogy Simons (1995:60) uses to describe the diagnostic system is that of a thermostat: „The thermostat regulates air temperature by turning a furnace on and off, based on continual comparisons of actual air temperature with a preset standard“. As with the thermostat the diagnostic control system allows employees to compare actual outputs with preset standards and allows for diagnosis of variation from the standards. It is also noted in the literature that diagnostic control systems can constrain employee behaviour (Simons 1995). Some typical diagnostic control systems are budgets and profit plans. Diagnostic control systems are essential levers for implementing intended strategies (Simons 1995). This statement from Simons was recently supported through empirical evidence from Henri (2006). His findings support the view of control systems as tools contributing to the implementation of intended strategies, but also as tools stimulating the emergence of new strategies. The system guides employees and provides targets to be met, introducing employees to the strategy of the organisation. As the organisational strategy changes so must the control variables and so managers must constantly communicate with staff that different strategies call for different control variables. The diagnostic system is a mechanism by which employees learn of new strategy and consequently, the new goals and objectives with which to
align behaviour (Widener 2007). The intended strategy is analysed to determine specific organisational goals and to determine the control variables to be measured. Diagnostic control systems are designed to trigger the adjustment of the targets embedded in the plans and programs required for the implementation of intended strategies, referred to as single loop learning by Argyis and Schon (cited in Simons 1995: 68). The diagnostic control system allows the organisation to achieve goals through management-by-exception (Simons 1995). Empirical evidence by Widener (2007:781) supports this statement from Simons, finding "the diagnostic system...facilitates the efficient use of management attention."

The measures should be objective, complete and responsive (Simons 1995:76). He defines these terms as follows: **objective** when it is independently verifiable, **complete** when it captures all relevant actions and behaviours and **responsive** when it reflects the actions or efforts of the individual being measured. Simons (1995:81) also emphasises the importance of reporting data that is accurate and complete, only then will diagnostic control systems operate effectively. He emphasises this further "If critical performance variables and measures are correctly specified the organisation will march unerringly toward the achievement of organisational goals. If measures and targets are incorrectly specified, the organisation may march off a cliff."

However, the focus on meeting preset standards can drive out creativity and the potential for innovation (Simons 1995). Henri (2006) lends support to Simons' theory concluding that the results suggest that performance management systems used in a diagnostic fashion contribute negatively to the deployment of capabilities of market orientation, entrepreneurship, innovativeness, and organisational learning.

Abernethy and Stoelwinder (1995) study the use of diagnostic control systems in public sector organisations, a highly institutionalised environment, and find that salaried professionals engage in behaviour directed toward increasing their own autonomy and that managers with a high professional orientation find it offensive when superiors impose targets to be achieved. This finding relates to one hospital setting. The reactions of managers in the organisations under
review for this current study are investigated in light of this finding. Further empirical evidence (Widener 2007) suggests that it is the formal process of the diagnostic control system that brings the interactive control system to life. The interactive control system is discussed next.

2.7.2 Interactive control system

Conventionally, MCS are perceived as passive tools providing information to assist managers. However, approaches following a sociological orientation see MCS as more active, furnishing individuals with power to achieve their own ends (Chenhall 2003). This type of system is more interactive and can guide the strategy of the organisation. MCS which stimulate search and learning in the organisation, and thus promote innovation and opportunity seeking are referred to as interactive control systems. These systems are defined by Simons (1994:171) as:

“,Formal systems used by top managers to regularly and personally involve themselves in the decision activities of subordinates. Any diagnostic control systems can be made interactive by continuing and frequent top management attention and interest. The purpose of making a control system interactive is to focus attention and force dialogue and learning throughout the organisation. Analysis of strategic uncertainties influences the design of interactive systems.”

By choosing to use a control system interactively, top managers signal their preferences (Simons 1995). In today”s technologically advanced environment, where individuals and employees are bombarded with so much information, it is important to use the data gathered intelligently, screening for critical information and filtering out information which does not add value. Interactive control systems help focus attention and force dialogue throughout the organisation Simons (1995). This dialogue and discussion allows the emergence of the organisation”s new strategy. An analogy Simons (1995:92) uses to describe the interactive control system is that of the national weather service:

„Ground stations all over the country monitor temperature, barometric pressure, relative humidity, cloud cover, wind direction and velocity, and precipitation. Balloons and satellites provide additional data. These data are monitored continuously and fed to a central location where they can be used to search for patterns of change. Based on these intelligence data, forecasts of impending
conditions can be made or revised in light of changing circumstances."

As with the weather service continuous monitoring and gathering of information of the organisation"s environment must be carried out. Senior management needs to encourage employees to search for changes and to feed this information to a central location (Simons 1995). According to Simons (1995:97) all interactive control systems have four defining characteristics:

- **Information generated by the system is an important and recurring agenda addressed by the highest levels of management.**
- **The interactive control system demands frequent and regular attention from operating managers at all levels of the organisation.**
- **Data generated by the system are interpreted and discussed in face-to-face meetings of superiors, subordinates, and peers.**
- **The system is a catalyst for the continual challenge and debate of underlying data, assumptions, and action plans.**

Findings from an empirical study by Widener (2007) concur with Simons" (1995) theory, finding that the interactive control system is used to scan the external environment. For interactive control systems to be effective a formal structure is necessary according to a study conducted by Chenhall and Morris (1995). This finding was confirmed in a recent study by Widener (2007) who found that the diagnostic system provides the structure that enables the interactive system to be effective. The interactive use of systems can have the exact opposite effect of diagnostic systems on deployment of capabilities as reported by Henri (2006) where he suggests performance measurement systems used in an interactive fashion contribute positively to the deployment of capabilities of market orientation, entrepreneurship, innovativeness, and organisational learning. While the interactive control system can lead to the emergence of new strategies, if the direction management takes becomes too political, the manager"s decision can be overruled. This finding emerged from empirical research conducted by Kloot (1997). She points out if the decision made is considered too political, the manager"s decision can be overridden.
A criticism of the Simons (1995) framework is that he leaves the question of why organisations combine diagnostic and interactive control systems unanswered. Henri (2006:548) addresses this unanswered question by examining the notion of dynamic tension as a result of the combined use of the systems. He argues, "that dynamic tension is used to ensure that positive effects of interactive use on capabilities will be achieved and to expand those positive effects of interactive use." Widener (2007) also finds that for organisations to realise the full benefits of performance management systems they must use them both diagnostically and interactively.

The findings from Henri (2006) are very significant as data was collected from 383 firms. Also, these firms were a significant size with sales of at least $20 million Canadian with at least 150 employees. Further empirical evidence to support Henri’s (2006) findings was provided by Widener (2007:782). Her data relied on surveys from 122 respondents and is therefore also significant and found, "dynamic tension results from the use of performance measures dual roles."

The typology provided by Simons is applied in this study to determine the type of control systems used within the organisations under review and is discussed in further detail in Chapter 3. A summary comparison of the diagnostic, interactive and dynamic control systems is presented in Table 2.4 below.
TABLE 2.4 A COMPARISON OF DIAGNOSTIC, INTERACTIVE AND DYNAMIC CONTROL SYSTEMS

<table>
<thead>
<tr>
<th></th>
<th>Diagnostic Control Systems</th>
<th>Interactive Control Systems</th>
<th>Dynamic Control systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Provide motivation and direction to achieve goals</td>
<td>Stimulate dialogue and organisational learning</td>
<td>Promotes capabilities of market orientation, organisational learning, innovativeness and entrepreneurship</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>No surprises</td>
<td>Creative search</td>
<td>Creative search</td>
</tr>
<tr>
<td><strong>Analytical reasoning</strong></td>
<td>Deductive (flying by instrument)</td>
<td>Inductive, sensory (flying by feel)</td>
<td>Inductive</td>
</tr>
<tr>
<td><strong>System complexity</strong></td>
<td>Complex</td>
<td>Simple</td>
<td></td>
</tr>
<tr>
<td><strong>Time frame</strong></td>
<td>Past and present</td>
<td>Present and future</td>
<td>Present and future</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>Fixed</td>
<td>Constantly reestimated</td>
<td>Constantly reestimated</td>
</tr>
<tr>
<td><strong>Feedback</strong></td>
<td>Negative feedback</td>
<td>Positive feedback</td>
<td>Positive feedback</td>
</tr>
<tr>
<td><strong>Adjustment to</strong></td>
<td>Inputs or process</td>
<td>Double loop learning</td>
<td></td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Eliminate need for talk</td>
<td>Provide common language</td>
<td>Provide common language</td>
</tr>
<tr>
<td><strong>Staff role</strong></td>
<td>Key gatekeepers</td>
<td>Facilitators</td>
<td>Facilitators</td>
</tr>
</tbody>
</table>


2.8 SUMMARY

This chapter has reviewed and critiqued the literature pertaining to this study. The literature reviewed drew from new public management, stakeholder theory, institutional theory and the use of management control systems. It is argued that the attributes a stakeholder possesses will impact the way in which management prioritise their demands. It is also argued that various institutional factors impact on strategic response. It is further argued that diagnostic use of control systems provides benefits through management by exception and that interactive use of control systems enhances the deployment of capabilities of market orientation, entrepreneurship, innovativeness, and organisational learning. These theoretical approaches provide a multi-theory framework. This multi-theory framework was employed because of the absence of a single theory that is sufficient to explain how managers in public sector organisations with multiple stakeholders manage their strategic responses. Further literature
is integrated with the analysis in Chapters 5 through 8. Chapter 3 presents the conceptual framework for the study.
CHAPTER 3 CONCEPTUAL FRAMEWORK

3.1 INTRODUCTION

This chapter develops and explains the conceptual framework of interest in this study, shown in Figure 3.1. The chapter commences by describing the various components of the conceptual framework. It also establishes the propositions to be tested.

The conceptual framework for this study draws together the literatures on CSOs, stakeholder theory and institutional theory. In particular it links stakeholder theory and institutional theory in a way not previously seen in the literature. The framework links the operating, external and institutional environments to examine how corporatised government entities organisations respond to the need to encompass CSOs.

The operating environment determines the existence of CSOs. If CSOs exist in an organisation, then the external and institutional environments may provide clues to assist in analyzing managers’ reactions to the need to provide CSOs. The next section discusses the operating environment and the use of management control systems.
Figure 3.1: CONCEPTUAL FRAMEWORK

Operating environment
- Commercial activities
- Non commercial activities (CSOs)
- Management Control Systems

External environment
- POWER
  - 5 Dangerous Stakeholder
  - 1 Dormant Stakeholder
- LEGITIMACY
  - 4 Dominant Stakeholder
  - 7 Definitive Stakeholder
- URGENCY
  - 3 Demanding Stakeholder
  - 2 Discretionary Stakeholder
  - 6 Dependent Stakeholder
  - 8 Non Stakeholder

Institutional environment
- Predictive factors
- Strategic responses
3.2 OPERATING ENVIRONMENT
The operating environment of the government-owned entities for this study is established to identify the type of activities carried out by them. The type of activities or objectives of the entities is broken down into commercial and non-commercial activities or CSOs, to determine if CSOs are provided as discussed in Section 2.4. Non-commercial activities are the focus of this research. The MCS style of use is also determined following the criteria presented by Simons (1995) and is discussed in the analysis chapters and was reviewed in Section 2.7. On establishing the type of activities and MCS in use within the organisations, the external environment and or the players with whom management at the entities interact are established. It is argued in this thesis that the conflicting objectives or activities demanded by multiple stakeholders impact on the strategic response management takes in responding to these demands.

3.3 MANAGEMENT CONTROL SYSTEMS
MCS consist of mechanisms employed by an organisation in an attempt to influence the behaviour of organisational members, such that organisational objectives are achieved in the most efficient and effective manner (Otley 1980). While MCS are designed within the organisation, these systems are set up for compliance reasons as well as to enhance organisational performance. External stakeholders apply these pressures to comply with for example accounting standards, and to make the organisation transparent. This study investigates the strategic response an organisation’s management employs in reply to pressure to conform and comply. The MCS style of use postulated to be most likely as a result of pressure from identified stakeholders and considering the factors outlined by Oliver (1991) is examined.

3.3.1 Levers of Control
The Levers of control (LOC) framework put forth by Simons (1995) consists of four elements: beliefs, boundary, diagnostic and interactive. Simons (1995) lever of controls (LOC) is the theoretical framework utilized in this study to analyse the type of MCS organisations implement and use as a result of pressure from external stakeholders. The focus of this research is on diagnostic
and interactive only. This study has omitted beliefs and boundary controls as the focus was on the impact of strategic decisions responding to key stakeholder demands.

### 3.3.1.1 Diagnostic system

Diagnostic control systems are the formal information systems that managers use to monitor organisational outcomes and correct deviations from preset standards of performance (Simons 1995:59). He outlines three features of a diagnostic system: the ability to measure outputs, the ability to compare actual against preset standards and the ability to correct any deviations from those standards. To this end, the diagnostic system can be used as a guide for employees and motivate them to perform and align their behaviour with organisational objectives (Widener 2007).

### 3.3.1.2 Interactive system

An interactive system is forward-looking and characterised by active and frequent dialogue among top managers. The interactive system is intended to help the firm search for new ways to strategically position itself in a dynamic market place (Widener 2007). Simons (1995) suggests that managers who operate in regulated or semi-regulated industries, such as public sector organisations, must pay special attention to community sentiment, political pressures and emerging regulations. For these organisations, interactive controls use is essential for gathering data in order to understand and influence the complex, social, political, and technical environment in which they operate (Simons 1995; 2000). This study will explore this further with the organisations under investigation.

### 3.4 EXTERNAL ENVIRONMENT

Stakeholder theory predicts organisations take most notice of stakeholders who possess the three stakeholder attributes of power, legitimacy and urgency (Mitchell et al 1997). Institutional theory predicts organisations acquiesce, compromise, avoid, defy or manipulate stakeholders in response to institutional demands or requirements on the basis of several determinants that affect both their willingness and ability to comply (Oliver 1991). This study links the
stakeholder type with an explicit strategic response. Thus this study combines stakeholder and institutional theory, specifically the Mitchell et al (1997) and the Oliver (1991) models to empirically test the data collected for this study. An overview of the models is presented next.

3.4.1 Overview of the Mitchell et al (1997) model
It is expected that the environment in which these entities function include multiple stakeholders. External stakeholders (constituents) can influence and exert pressure on an organisation’s management. The term stakeholder and constituent are used interchangeably in this current research. Further the attributes these stakeholders possess is said to influence the way management respond to demands from these stakeholders (Mitchell et al 1997).

This study utilises the Mitchell et al (1997) stakeholder typology model to determine attributes of the identified stakeholders. Mitchell et al (1997) suggests particular stakeholder attributes of power, legitimacy and urgency will determine how managers prioritise stakeholders” demands. The model predicts if a stakeholder has all three attributes and is thus considered definitive, these stakeholders” demands will be prioritised above stakeholders with only one or two attributes. However, the model does not offer a prioritisation option if for example an organisation has two definitive stakeholders. Thus, this research aims to investigate this dilemma, helping us to gain a better understanding of how managers prioritise in this situation.

3.4.2 Stakeholder attributes
Mitchell et al (1997), present the predictive attributes which they hypothesise will determine how managers prioritise stakeholders” demands. The previous application of the model has been discussed and was presented in Table 2.3. The previous applications found reasonable support for the model and thus, provide support for the adoption of the framework in this study. The model is illustrated in Figure 3.2. The attributes are power, legitimacy and urgency and are discussed next.
3.4.2.1 Power

A stakeholder is said to have power if the stakeholder can impose its will on the relationship. However, if power is perceived by management to be the only attribute the stakeholder possesses it is likely management may not even recognise the existence of these stakeholders. Without any other attributes for example legitimacy or urgency, power will often remain unused. Nonetheless, as Mitchell et al (1997) suggest these stakeholders can acquire another attribute and therefore become more salient to the organisation. Etzioni (cited in Mitchell et al 1997) suggests power should be categorised based on how it is exercised; 

- **coercive power**, based on physical force, violence or restraint;
- **utilitarian power**; based on material or financial resources; and
- **normative**
power, based on symbolic resources. Thus, this study focuses on the way in which power as an attribute is exercised.

3.4.2.2 Legitimacy

Legitimacy refers to the degree to which a stakeholder relationship with an organisation is seen as appropriate, proper, and desirable in the social context (Mitchell et al 1997). It is possible that some stakeholders may not perceive their claims as legitimate and indeed a manager’s perception may vary from the stakeholder’s perceptions. As with power, legitimacy alone without the interaction of other attributes is expected to have little influence on management. In this study, legitimacy is considered in its own right but is also considered in its interaction with other attributes.

3.4.2.3 Urgency

Urgency exists only when two conditions are met: 1) when a relationship or claim is of a time sensitive nature, and 2) when that relationship or claim is important or critical to the stakeholder (Mitchell et al 1997). Urgency, like power and legitimacy, can be perceived falsely or correctly by managers or indeed stakeholders themselves. Urgency alone is expected to have little influence on management but in combination with other attributes, it can change the relationship and increase salience amongst managers. It is considered in this research as an attribute in its own right but also in combination with other attributes. The propositions put forward by Mitchell et al (1997) are presented below.

Proposition 1: Stakeholder salience will be positively related to the cumulative number of stakeholder attributes-power, legitimacy, and urgency - perceived by managers to be present.

Proposition 1a: Stakeholder salience will be low where only one of the stakeholder attributes - power, legitimacy, and urgency-is perceived by managers to be present.

Proposition 1b: Stakeholder salience will be moderate where two of the stakeholder attributes - power, legitimacy, and urgency - are perceived by managers to be present.
Proposition 1c: Stakeholder salience will be high where all three of the stakeholder attributes - power, legitimacy, and urgency - are perceived by managers to be present.

It seems likely that the propositions presented by Mitchell et al (1997) may interact to affect the prediction of the strategic response undertaken by an organisation. Therefore, this study will integrate the Oliver (1991) model to predict strategic responses with the Mitchell et al model (1997) to predict stakeholder type.

3.4.3 STAKEHOLDER TYPES

As mentioned previously Mitchell et al (1997) contend that an organisation’s management will prioritise the demands of a stakeholder based on the attributes that stakeholder possesses. Following this proposition by Mitchell et al (1997), the attributes stakeholders possess are examined in this study and are integrated with the strategic response managers make to these stakeholders. Mitchell et al (1997) proposes seven types of stakeholders, identified based on the presence of the three attributes of power, legitimacy and urgency, on their own or in various combinations.

- Stakeholders who possess only the power attribute are called “dormant stakeholders” because their power is unused due to the absence of legitimacy or urgency.
- Stakeholders who possess only the legitimacy attribute are called “discretionary shareholders” as it is up to the discretion of the manager as to whether or not these stakeholders deserve attention.
- The “stakeholder is known as a “demanding stakeholder” if their claim is purely urgent.
- “Dominant stakeholders” are those that have both powerful and legitimate claims over the organisation.
- “Dependent stakeholder” have urgent and legitimate claims but no power to influence the organisation
- Stakeholders who have power and an urgent claim are classed as “dangerous stakeholders’
• **Definitive stakeholders** are those stakeholders who have the power to enforce their legitimate and urgent claims. Definitive stakeholders are usually "dominant stakeholders" who suddenly have an urgent claim (O'Higgins and Morgan 2006). The three attributes theorised to influence managers' prioritisation of stakeholder's demands are discussed next.

3.5 OVERVIEW OF THE OLIVER (1991) MODEL

This study makes use of the Oliver (1991) model, which offers a typology of strategic responses to institutional pressures that vary in active organisational resistance from passive conformity to proactive manipulation. The strategic responses to institutional pressure are acquiescence, compromise, avoid, defy or manipulate.

As noted in Section 2.6, Oliver (1991) also hypothesised five predictive factors influence management decision making and result in this continuum of strategic responses from passive conformity (acquiescence) to active resistance (defy or manipulate).

3.5.1 Predictive factors of strategic response

Oliver's (1991) model suggests five predictive factors that determine whether managers comply or resist requests or requirements from the multiple stakeholders. These predictive factors are: cause (legitimacy and efficiency); constituents (multiplicity and dependence); content (consistency and discretionary constraints); control (legal coercion and voluntary diffusion of norms) and context (environmental uncertainty and interconnectedness). A summary of the predictive factors and strategic responses is presented in Table 3.1 and discussed, below.
### TABLE 3.1 INSTITUTIONAL ANTECEDENTS AND PREDICTED STRATEGIC RESPONSES.

<table>
<thead>
<tr>
<th>Predictive factor</th>
<th>Strategic responses</th>
<th>Acquiesce</th>
<th>Compromise</th>
<th>Avoid</th>
<th>Defy</th>
<th>Manipulate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cause</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legitimacy</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Efficiency</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Constituents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiplicity</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Dependence</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td><strong>Content</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consistency</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Constraint</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td><strong>Control</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Coercion</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Diffusion</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertainty</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Interconnectedness</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

Source: Oliver (1991:160)

#### 3.5.1.1 Cause

The cause of institutional pressures refers to why the organisation is being pressured to conform. Oliver (1991) predicts that when an organisation expects conformity to increase social (legitimacy) or economic (efficiency) fitness, acquiescence will be the most likely strategic response to pressure from external constituents. When an organisation expects conformity will result in no or little increase or improvement in social or economic fitness, any of the other strategic responses may be employed by the organisation. Oliver (1991) hypothesises:
Hypothesis 1: The lower the degree of social legitimacy perceived to be attainable from conformity to institutional pressures, the greater the likelihood of organisational resistance to institutional pressures.

Hypothesis 2: The lower the degree of economic gain perceived to be attainable from conformity to institutional pressures, the greater the likelihood of organisational resistance to institutional pressures.

From the literature reviewed and the discussion on the Oliver (1991) and Mitchell et al (1997) models above, some synergies between the models emerge. Both Oliver (1991) and Mitchell et al (1997) use the notion of legitimacy in their models, albeit in slightly different contexts. Oliver (1991) refers to cause in the form of legitimacy or social fitness and in the form of efficiency or economic fitness as predictive factors in an organisation’s strategic response to pressure from external stakeholders. Mitchell et al (1997) claim that an organisation will take more notice of a stakeholder where it is perceived that the stakeholder relationship is a legitimate one, that is that it is appropriate, proper and desirable in the social context. Both these models imply that legitimacy is concerned with fitness in the social context.

3.5.1.2 Constituents

Where multiple constituents exist in the institutional environment of an organisation Oliver (1991) predicts the acquiescence response to be low, and the compromise, avoid, defy or manipulate responses to be high. Oliver (1991) also argues that the level of dependency of the organisation on these constituents will impact on the strategic response of the organisation. Organisations will tend to manipulate or defy where dependency on the external constituent is low. When dependency on the external constituent is high, the organisational response will tend to be acquiescence or compromise. Oliver (1991) hypothesises:

Hypothesis 3: The greater the degree of constituent multiplicity, the greater the likelihood of organisational resistance to institutional pressures.
Hypothesis 4: The lower the degree of external dependence on pressuring constituents, the greater the likelihood of organisational resistance to institutional pressures.

In the Mitchell et al (1997) framework, the focus on stakeholders is that of the attributes of the identified stakeholders. Oliver’s focus is on the number (multiplicity) of stakeholders in the institutional environment and the dependency of the organisation on these stakeholders. This study, while identifying the stakeholders and the multiplicity or number of stakeholders in the environment of the case organisations, will have a heavy focus on dependency.

3.5.1.3 Content

Organisations will be more willing to acquiesce to external pressures when these pressures or expectations are compatible with internal goals (Oliver 1991:165). Whetten (cited in Oliver 1991) predicts non-profit organisations may be more resistant to pressures for economic rationality because compliance with these pressures may be perceived as inconsistent with the goal of high quality social service delivery. However, in light of NPM, this prediction may need to be modified as corporatised government entities are expected to provide social services as well as perform in an economically rational way. Compromise and avoidance strategies are predicted to be most common when there is only moderate consistency between organisational goals and institutional pressures; defiance and manipulation strategies are predicted to occur most frequently when consistency is low (Oliver 1991:165). Pfeffer and Salancik (cited in Oliver 1991) suggest "compliance is a loss of discretion, a constraint, and an admission of limited autonomy." Organisations are expected to acquiesce more readily to pressures that do not constrain substantive organisational decisions, such as resource allocation, product or service selection, resource acquisition, or organisational administration (Oliver 1991:166). Oliver (1991) hypothesises:

Hypothesis 5: The lower the degree of consistency of institutional norms or requirements with organisational goals, the greater the likelihood of organisational resistance to institutional pressures.
**Hypothesis 6:** The greater the degree of discretionary constraints imposed on the organisation by institutional pressures, the greater the likelihood of organisational resistance to institutional pressures.

### 3.5.1.4 Control

Institutional control describes the means by which pressures are imposed on organisations. Two distinct processes by which pressures are exerted include legal coercion and voluntary diffusion (Oliver 1991). When legal coercion is high, a strategic response of acquiescence best serves the interests of the organisations. “Active defiance and manipulation are most likely to occur when the degree of legal coercion is low” (Oliver 1991:168). When sanctions for non-compliance are minimal, consequences of nonconforming behaviour may not constitute a sufficient deterrent to organisational resistance.

Oliver (1991) also notes that “the extent to which an institutional expectation or practice has already diffused or spread voluntarily through an organisational field will tend to predict the likelihood of conformity to institutional expectations.” Whether the pressure imposed is exerted through legal coercion or voluntary diffusion Oliver (1991) predicts an organisational response of acquiescence:

**Hypothesis 7:** The lower the degree of legal coercion behind institutional norms and requirements, the greater the likelihood of organisational resistance to institutional pressures.

**Hypothesis 8:** The lower the degree of voluntary diffusion of institutional norms, values, or practices, the greater the likelihood of organisational resistance to institutional pressures.

While Mitchell et al (1997) refer to power as a determinant of organisational management response or taking note of the organisation, Oliver (1991) refers to control as a determinant of organisational strategic response. Mitchell et al (1997) predict that an organisation”s management will take note of a stakeholder they perceive to be powerful which includes legal power. In other words the organisation’s management will tend to yield to pressure from a powerful stakeholder. Under the Oliver (1991) model, control refers to how control is exercised, for example through legal coercion or voluntary diffusion. This combination of power and legal coercion and or voluntary diffusion allows
the opportunity to look at power in its different categories as suggested by Etzioni (cited in Mitchell et al. 1997).

3.5.1.5 Context

Oliver (1991) lists the environmental context within which institutional pressures are exerted as another likely determinant of organisations’ responses to institutional influence. She predicts that environmental uncertainty and environmental interconnectedness are significant dimensions of context that affect organisations’ conformity or resistance to institutional demands and expectations. Environmental uncertainty is defined by Pfeffer and Salancik (cited in Oliver 1991:67) as “the degree to which future states of the world cannot be anticipated and accurately predicted.” Interconnectedness refers to the density of interorganisational relations among occupants of an organisational field (Aldrich and Whetten cited in Oliver 1991; DiMaggio and Powell, 1983; Pfeffer and Salancik, 1978). Oliver (1991) predicts that acquiescence and compromise strategies will be most likely to occur when environmental uncertainty is high. DiMaggio and Powell (1983) hypothesise that environmental uncertainty causes organisations to mimic one another. Oliver (1991) predicts that organisations are more likely to accede to the values or requirements of the institutional environment when this environment is highly interconnected. “Interconnectedness refers to the density of interorganisational relations among occupants of an organisational field.” Aldrich and Whetten 1984; DiMaggio and Powell 1983; Pfeffer and Salancik 1978). Oliver (1991) hypothesises:

**Hypothesis 9:** The lower the level of uncertainty in the organisation’s environment, the greater the likelihood of organisational resistance to institutional pressures.

**Hypothesis 10:** The lower the degree of interconnectedness in the institutionalised environment, the greater the likelihood of organisational resistance to institutional pressures.

To capture the dynamics of the stakeholder-manager interactions Mitchell et al. (1997) propose that adding the attribute of urgency helps move the model from static to dynamic. The attribute urgency is based on time sensitivity and
criticality (Mitchell 1997). The Oliver (1991) model also draws on time sensitivity
in the context predictor. She refers to environmental uncertainty with a focus on
the anticipated future state of the world and the impact of this on the strategic
response of the organisations management.

3.6.1 Strategic responses
The five strategic responses and their relevant tactics as suggested by (Oliver
1991) are discussed in the following section.

3.6.1.1 Acquiesce
A strategic response of acquiescence represents compliance with institutional
pressures and is found at the passive conformity end of the strategic response
continuum (Oliver 1991). This response can take alternative forms, habit
“following invisible taken for granted norms”, imitate “mimicking institutional
models” and comply “obeying rules and accepting norms” (Oliver 1991:152).

3.6.1.2 Compromise
Where an organisation considers unqualified conformity unpalatable or
unworkable and where conflicting demands are required, compromise may be
the strategic response enacted. The tactics employed include balance
“balancing the expectations of multiple constituents”, pacify “placating and
accommodating institutional elements” and bargain “negotiating with
institutional stakeholders” (Oliver 1991).

3.6.1.3 Avoid
Avoidance as a response to demands can also be enacted and many involve
an organisational attempt to conceal their non conformity or buffer themselves
from pressures. The tactics include, conceal “disguising nonconformity”, buffer
“loosening institutional attachments” and escape “changing goals, activities, or
domains” (Oliver 1991:153).

3.6.1.4 Defy
Defiance represents unequivocal rejection of institutional pressures and this is
likely to occur when management consider the cost of defiance to be low. The
tactics employed include, dismiss “ignoring explicit norms and values”,

57
challenge ‘contesting rules and requirements” and attack „assaulting the sources of institutional pressure”(Oliver 1991:156).

3.6.1.5 Manipulate
Manipulation is found at the active resistance end of the strategic response continuum, and according to Oliver (1991:157) can be defined as „the purposeful and opportunistic attempt to co-opt, influence, or control institutional pressures and evaluations. Co-opting involves „importing influential constituents”, influence „shaping values and norms” and control dominating institutional constituents and processes“(Oliver 1991:157).

3.7 New propositions
Following the discussion of the Oliver and Mitchell et al. model, and the similarities that emerge, the following new propositions will guide the analysis of this study.

Proposition P1a: The higher the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the passive conformity end of the strategic response continuum.

Proposition P1b: The lower the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the active resistance end of the strategic response continuum.

Proposition P2a: When a stakeholder possesses the attribute power, if the power is perceived to be coercive, the greater the likelihood of a strategic response more towards the passive conformity end of the strategic response continuum.

Proposition P2b: When a stakeholder possesses the attribute power, if the power is perceived to be symbolic, the greater the likelihood of a strategic response more towards the active resistance end of the strategic response continuum.

Proposition P3a: When management has high dependency on a stakeholder and legitimacy is perceived to be gained, the greater the likelihood of a strategic
response more towards the passive conformity end of the strategic response continuum.

**Proposition P3b:** When management has low dependency on a stakeholder and legitimacy is perceived to be gained, consistency is high and control is enforced through legal coercion the likelihood remains of a strategic response more towards the passive conformity end of the strategic response continuum.

**Proposition P4a:** When management responds to a stakeholder’s demands by going above and beyond what is required, the greater the likelihood of management making use of both the diagnostic and the interactive management control system.

**Proposition P4b:** When management responds to a stakeholder’s demands by acquiescing to those demands, the greater the likelihood of an in-use diagnostic management control system.

### 3.8 SUMMARY

This chapter has presented the conceptual framework for use in this study. It also established the propositions for empirical testing. Chapter 4 outlines the research methodology and method utilised to achieve the aims of this research.
CHAPTER 4 RESEARCH METHODOLOGY

4.1 INTRODUCTION
The purpose of this chapter is to discuss the research paradigm, methodology and method employed to answer the research questions posed in Chapter 1. This chapter justifies the choice of a qualitative multi-case study methodology, examining both the strengths and limitations of this approach. The research design including the research sample and population as well as the type of information needed for the research is discussed. The methods used to gather the data and why these were chosen are explained. The way in which the data was analysed and synthesized is presented and finally ethical considerations, reliability and validity of the study are presented.

4.2. RESEARCH PHILOSOPHY
Research philosophy is an overarching term and essentially relates to the development of knowledge and the nature of that knowledge (Saunders, Lewis and Thornhill 2007). An individual’s research philosophy contains important assumptions about the way in which the individual views the world (Saunders et al 2007). The assumptions behind the philosophy adopted by the researcher guides the next steps of the research process that is the methodology and method of data collection. The choice of philosophy essentially depends on a belief about how reality is perceived. Epistemology is focused on what one accepts as valid knowledge, the nature and status of knowledge, how one knows what they know. "Epistemology is concerned with what constitutes acceptable knowledge in a field of study, and makes the distinction between "resources" and "feelings" researchers" (Saunders et al 2007:102). The "feelings" researcher is concerned with the feelings and attitudes of for example workers towards their management. This study’s focus is on the feelings and attitudes and perceptions of participants. Ontology’s focus is on the belief of how reality is perceived in the world, the basic elements and nature of reality, and distinguishes between objective and subjective reality. The subjective aspect of ontology is that social phenomena are created from the perceptions and actions of social actors (Saunders et al 2007:108), which is the stance taken by me in conducting this research.
4.3 RESEARCH DESIGN

The epistemological stance of an interpretive paradigm, together with an ontological stance of subjectivism are adopted for this research. The interpretative paradigm is defined by (Saunders et al. 2007:106) as:

„an epistemology that advocates that it is necessary for the researcher to understand differences between humans in our role as social actors. This emphasises the difference between conducting research among people rather than objects”.

On adopting this perspective, the meaning of data collected from participants is interpreted, with the challenge of understanding the participant’s world from their point of view. An understanding of the fundamental meanings attached to the data collected is essential. It is not simply a matter of reporting the data, as a journalist would. The data was viewed to gain perspective that is the data was analysed through a lens. The lens through which the data was viewed is the conceptual framework based on the theories discussed in Chapter 2, which forms the basis for this study. The theories and the conceptual or multi-theoretical framework were discussed in Chapters 2 and 3 respectively.

It is argued in the methodology literature that an interpretivist perspective is highly appropriate in the research of business and management (Saunders et al 2007). The literature supports the use of the approach taken for this current research. Interpretivism deals with social behaviour which is not easily quantified, and therefore qualitative rather than quantitative methods tend to be more appropriate. The following section discusses the qualitative and quantitative approaches to research. It also justifies the selection of the qualitative approach for this current study.

4.4 QUALITATIVE VERSUS QUANTITATIVE DATA

Many authors draw a distinction between qualitative and quantitative research (Bryman 1988; Easterby-Smith, Thorpe and Lowe 2002; Saunders et al 2007). Quantitative research tends to have clearly defined variables, reliable measures, random or representative samples and statistical tests. It is defined by Veal (2005:24) as „it involves numerical data and often involves large numbers of cases; seeks to generalise to whole population.” Qualitative research usually involves non-numerical data and cases, which are normally not
generalisable. Qualitative research is defined by Veal (2005: 25) in that it 
"generally does not involve numerical data and involves a small number of 
cases and findings are typically not generalisable."

Qualitative or quantitative methods are not good or bad but are only more or 
less appropriate to particular research questions (Silverman 2010). In 
conducting this current study qualitative rather than quantitative data was 
collected. The reasons for doing so were many and were based on reviewing 
the literature on research, reviewing previous studies in a similar field and in 
reviewing research that asked similar questions to this current study. The 
qualitative approach allowed meeting participants face to face and finding out 
about their experiences of working in a government owned corporatised entity. 
Qualitative research allows researchers “to get at the inner experience of 
participants, to determine how meanings are formed through and in culture, and 

to discover rather than test variables” (Corbin and Strauss 2008:12). In 
quantitative research the focus is on inputs and outputs, but my interests are in 
the phenomenon that was occurring between those inputs and outputs. The 
qualitative approach allowed a focus on the phenomenon. When asking “what” 
and “how” questions it is possible to describe what is happening, therefore 
getting to the core of the phenomenon. The interests for this study are in „how” 
questions rather than „how many” questions. For example, the focus was on, 
how managers perceive importance of stakeholders rather than how many 
stakeholders managers consider important. These research questions can be 
best explored through the collection of qualitative rather than quantitative data. 
The interpretivist qualitative approach to research uses a bottom up approach 
to analysis, commonly referred to as the inductive approach. The differences 
between the inductive and deductive approaches to analysing data are 
discussed next.

4.5 INDUCTION VERSUS DEDUCTION APPROACH

In analysing data, an inductive or deductive approach can be taken. The 
inductive approach involves pulling the raw data collected apart to find 
meanings and to then develop theoretical propositions. The deductive approach 
involves beginning the process of analysis with propositions or hypotheses
and then collecting data to test the propositions or hypotheses. Saunders et al (2007:117) outline that "deduction is testing theory and induction is building theory". Inductive research is used to develop theory from the observation of empirical reality. Theory building or development from qualitative research is most appropriate in offering a new perspective to an already established theory (Eisenhardt 1989). This current research explores the established stakeholder and institutional theories and offers a new perspective, thereby developing these theories. The major differences between inductive and deductive approaches to research are presented in Table 4.1.
### TABLE 4.1 MAJOR DIFFERENCES BETWEEN DEDUCTIVE AND INDUCTIVE APPROACHES TO RESEARCH

<table>
<thead>
<tr>
<th>Deduction emphasises</th>
<th>Induction emphasises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific principles</td>
<td>Gaining an understanding of the meanings humans attach to events</td>
</tr>
<tr>
<td>Moving from theory to data</td>
<td>A close understanding of the research context</td>
</tr>
<tr>
<td>The collection of quantitative data</td>
<td>The collection of qualitative data</td>
</tr>
<tr>
<td>The application of controls to ensure validity of data</td>
<td>The application of questions to ensure the account presented offers a watertight, logically based interpretation of the data. For example can the account withstand plausible, rival interpretations? (Silverman 2010).</td>
</tr>
<tr>
<td>The application of controls to ensure reliability of data</td>
<td>Question: will the same approach and methods, used by different researchers, produce the same results? (Silverman 2010).</td>
</tr>
<tr>
<td>The operationalisation of concepts to ensure clarity of definition</td>
<td>Seeing what comes out of the data collected</td>
</tr>
<tr>
<td>A highly structured approach</td>
<td>A more flexible structure to permit changes of research emphasis as the research progresses</td>
</tr>
<tr>
<td>Researcher independence of what is being researched</td>
<td>A realisation that the researcher is part of the research process</td>
</tr>
<tr>
<td>The necessity to select samples of sufficient size in order to generalise conclusions</td>
<td>Less concern with sample size due to lower need to generalise</td>
</tr>
</tbody>
</table>

Source: adapted from various sources including Saunders et al (2007: 120)

Having decided on the inductive approach to analysis the most appropriate methodological approach was then investigated. The different methodological approaches are discussed next and the multi-case study selected for the current study is justified. It is important to note that some authors in the literature refer to the different methodological approaches as research strategies for example Saunders et al (2007) and Marshall and Rossman (1989).
4.6 METHODOLOGICAL APPROACH

There are many methodological approaches to qualitative research; namely naturalistic inquiry, experiment, survey, case study, action research, grounded theory and ethnography (Coghlan and Brannick 2005; Green 2002; Robson 2011; Saunders et al 2007). These approaches are not necessarily discrete entities but can be used in combination. In reviewing the literature on methodologies Table 4.2 was prepared to help decide on the most appropriate methodology. Table 4.3 prepared by Marshall and Rossman (1989) was also used to inform decisions on the methodology. Decisions focused on the purpose of the different methodologies, what questions the different methodologies would answer and what approaches would be required. Whatever approach is taken must be based on reason and logic. „Scientific knowledge should be supported by both reason and by logic and observation, and the methodology should address both these issues” (Remenyi, Money and Swartz 1998: 43).
<table>
<thead>
<tr>
<th>Methodology</th>
<th>Purpose</th>
<th>Answers</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naturalistic inquiry</td>
<td>To understand and reconstruct the constructions that people initially hold, while remaining open to new interpretations as information and sophistication improve</td>
<td>Goes beyond “what” questions with more challenging such as why?, what for ?, in whose interests?</td>
<td>Inductive</td>
</tr>
<tr>
<td>Experiment</td>
<td>To study causal links</td>
<td>How and why questions</td>
<td>Deductive</td>
</tr>
<tr>
<td>Survey</td>
<td>Used for exploratory and descriptive research</td>
<td>Who, what, where how much and how many questions</td>
<td>Deductive</td>
</tr>
<tr>
<td>Case study</td>
<td>To empirically investigate a particular contemporary phenomenon within its real life context</td>
<td>Why, what and how questions</td>
<td>Inductive</td>
</tr>
<tr>
<td>Action research</td>
<td>Concerned with research in action rather than research without action</td>
<td>How</td>
<td>Inductive</td>
</tr>
<tr>
<td>Grounded theory</td>
<td>Development and building of theory</td>
<td>How</td>
<td>Inductive/Deductive</td>
</tr>
<tr>
<td>Ethnography</td>
<td>To describe and explain the social world the research subjects inhabit in the way in which they would describe and explain it</td>
<td>How</td>
<td>Inductive</td>
</tr>
</tbody>
</table>

To give explanation to the methodology chosen for this study, and its ability to address logic and reason, a description of the methodology that guided the study is presented. The research focus was mainly on answering what, why and how questions and on advancing theory. I was also interested in collecting and testing empirical data of a fairly recent phenomenon in its own context.
Research methodology is referred to as “an operational framework within which the facts are placed so that their meaning may be seen more clearly” (Leedy 1997:121). Whilst being very disciplined with the approach, care has been taken not to hamper creativity and imagination.

### TABLE 4.3 MATCHING RESEARCH QUESTIONS WITH STRATEGY

<table>
<thead>
<tr>
<th>Purpose of the study</th>
<th>Research question</th>
<th>Research strategy</th>
<th>Examples of data collection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exploratory</strong></td>
<td>What is happening in this social program?</td>
<td>Case study</td>
<td>Participant observation</td>
</tr>
<tr>
<td></td>
<td>What are the salient themes, patterns, and categories in participants’ meaning structures?</td>
<td>Field study</td>
<td>In-depth interviewing</td>
</tr>
<tr>
<td></td>
<td>How are these patterns linked with one another?</td>
<td></td>
<td>Elite interviewing</td>
</tr>
<tr>
<td></td>
<td>To investigate little understood phenomenon.</td>
<td></td>
<td>Document analysis</td>
</tr>
<tr>
<td></td>
<td>To identify/discover important variables.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To generate hypotheses for further research.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Explanatory</strong></td>
<td>What events, beliefs, attitudes, policies are shaping this phenomenon?</td>
<td>Multi-site case study</td>
<td>Participant observation</td>
</tr>
<tr>
<td></td>
<td>How do these forces interact to result in a phenomenon?</td>
<td>History</td>
<td>In-depth interviewing</td>
</tr>
<tr>
<td></td>
<td>To explain the forces causing the phenomenon in question. To identify plausible causal networks shaping the phenomenon</td>
<td>Field study</td>
<td>Survey questionnaire</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ethnography</td>
<td>Document analysis</td>
</tr>
<tr>
<td><strong>Descriptive</strong></td>
<td>What are the salient behaviours, events, beliefs, attitudes, structures, and processes occurring in this phenomenon?</td>
<td>Field study</td>
<td>Participant observation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case study</td>
<td>In-depth interviewing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ethnography</td>
<td>Document analysis</td>
</tr>
<tr>
<td></td>
<td>To document the phenomenon of interest</td>
<td></td>
<td>Unobtrusive measures</td>
</tr>
<tr>
<td><strong>Predictive</strong></td>
<td>What will occur as a result of this phenomenon?</td>
<td>Experiment</td>
<td>Survey questionnaire (large sample)</td>
</tr>
<tr>
<td></td>
<td>Who will be affected?</td>
<td>Quasi-experiment</td>
<td>Kinesics/proxemics</td>
</tr>
<tr>
<td></td>
<td>In what ways?</td>
<td></td>
<td>Content analysis</td>
</tr>
<tr>
<td></td>
<td>To predict the outcomes of the phenomenon.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To forecast the events and behaviours resulting from the phenomenon</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: adapted from Marshall and Rossman (1989:78)


**4.6.1 Case study**

The overall methodological approach taken was that of case study. In addition to the comments above on research focus, the case study methodology was also chosen because as described by (Schramm 1971:6) „... the essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result“. It also tends to be most appropriate when trying to answer „how“ and „why“ questions (Yin 2003). Also within the discipline of this research, management accounting, there have been calls to conduct field studies in order to improve management accounting research (Aherns and Dent 1998; Kaplan 1984; Lillis 2002). Keating (1995:66) also called for field studies to improve management accounting research and had the following to say:

„Prominent researchers have argued that progress in management accounting research has been stymied by a lack of understanding of how accounting systems actually function. The case study research produced since the late 1980’s may be seen as a response to the call to develop a greater understanding of how management accounting actually functions in organisations and society (e.g. Kaplan 1983,1986; Hopwood 1978, 1979, 1983.) Case study research is certainly one means for accounting researchers to develop an intimate, contextually sensitive knowledge of actual management practices.”

The literature supports the use of case study methodology for this current research. This choice of methodology enabled the research questions posed to be answered and allowed the particular objectives of this study to be met. However, there have been criticisms of the methodology, addressed by Yin (2008:140) who asserts:

„Traditionally there have been prejudices against the case study method, especially in business and management research. It has been viewed as a less desirable form of empirical research methodology than surveys or experiments … However, this ignores the fact that case studies, like experiments, can be generalisable and used to develop theoretical propositions, even if they do not represent a subsample of a particular population or universe. The researcher’s goal is then to expand and generalise theories and not to enumerate frequencies.”
I aim to generalise from the four cases but only within the public sector of Australia’s property development industry. I also ensured that multiple sources of evidence were collected and analysed to provide a more sound and robust conclusion. Further limitations of the methodology were raised by Schramm (1971:8):

“...all too frequently, a researcher enters the situation too late, when the early history has mellowed, some of the early problems and failures have been forgotten, and the skein of policy making can be restored only through memories of men (sic) who have been too closely involved to be objective about it”.

The case units were selected on the basis that they were all relatively new to corporatisation, finding themselves in a unique position of balancing economic outcomes with social outcomes. It was instructive to examine their records after a few years of performance. It was then possible to determine successes and failures, but at a point in their history where if improvements could be made, it is not too late to implement them.

A multiple case design was selected for this research, as “the evidence can be more compelling and the overall study therefore more robust” (Herriott and Firestone 1983:16). The use of multiple cases allowed this research to follow replication logic, “meaning that should similar results be obtained from the four cases, replication is said to have taken place” (Yin 2003:47). Table 4.3, sourced from Marshall and Rossman (1989:78) as mentioned earlier also helped in matching research questions with research strategies or methodologies. Exploratory research used in this study is a valuable means of finding out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson 2011:59).

Another inductive approach which informed this research is grounded theory, and is defined by Strauss and Corbin (1990:23) as:

“...inductively derived from the study of the phenomenon it represents. That is discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon. Therefore data collection, analysis, and theory should stand in reciprocal relationships with each other. One does not begin with a theory and then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge”
Also, the advancement or building of theory was an important outcome. Eisenhardt (1989:438) states that “a striking feature of research to build theory from case studies is the frequent overlap of data analysis with data collection”. The process cannot always be linear and certainly, a high degree of overlap was achieved in this study. Also, Glaser and Strauss (1967:103) argue for joint collection, coding, and analysis of data. An overview of the philosophies, research paradigms and approach is presented in Figure 4.1.

**Figure 4.1 Overview of research philosophy and approach**

- **Epistemology**
- **Interpretivist paradigm**
- **Inductive approach**
- **Case study methodology**
- **Interview method**
- **Theory building**

Following the case study approach to research with guidance from grounded theory, the research methods for this research were then selected. The research methods are discussed in detail in Section 4.11. As outlined by Charmaz (2006:14) qualitative methods as with all research collection methods “...relies on those who conduct it”. Once the method was chosen and prior to conducting research ethical considerations made it imperative to gain formal authority to conduct the research. Prior to gaining access to case study sites
ethics permission to conduct research was sought and granted by Swinburne’s Human Research Ethics Committee (SUHREC). (Refer to Section 4.12 and Appendix D). Prior to applying for ethics approval, it was necessary to select the research sites to be investigated, and it was necessary to determine the interview questions required to answer the research questions.

### 4.7 SAMPLING PROCEDURE

The first step in choosing a research site is to select a site or sites that is relevant to the research question. Nothing is more important than suitable case selection (Gagnon 2010; Miles and Huberman 1984; Stake 1995). The target population was the property development industry in Australia and specifically the government owned entities in this industry. The research sample consisted of four corporatised entities reporting to four state governments in Australia. These four entities represent all of the government owned entities in the Australian property development industry and therefore constitute a full population. All four are of a significant size and have formal management control systems. In addition one State government department with financial oversight of all other government entities, Treasury was selected as representative of all state government treasury departments. A decision was made not to pursue interviews with other external stakeholder groups as the focus and scope of this research was on the views of managers of these entities rather than what a range of external stakeholders perceived. The context of the case study entities is that each:

- Is a corporatised Public Body in the Australian Property Development Industry
- Prior to corporatisation was a Government Department
- Is involved in a joint initiative/project/program or inter organisational effort with the community as recipients
- Is a provider of social outcomes
- Demonstrates the occurrence of outputs or an attempt at outputs
• Must comply with the relevant State Government Statutory Authority Corporations Act or similar and other such Acts.

Once the cases were selected, suitable subjects to participate in the study were required. A purposeful sampling procedure which involves “thinking through your options before you begin a study” was used to select the study’s sample of managers (Silverman 2010:3). It is important to gather as much information as possible with the sampling procedure chosen. To yield the most information about the phenomenon under study, purposeful sampling is a method that is typical of case study methodology (Patton 1990; Silverman 2000). The researcher designed a selection process, which sought to locate executive managers of government entities within the property development industry as well as a representative from Treasury considered an important stakeholder to the entity. The first criterion for selection of executives was a delimiting time frame of two years to ensure adequate experience and involvement in the organisation. The interviewees were selected based on their experience and ability to provide relevant information to the subject under study. Interviews were aimed at highly involved and informed members of each organisation to reflect an internal organisational view of the phenomenon under study. In this respect the study supported the view of Day and Nedungadi (1994:35) that a single informant who was “…the most knowledgeable about the competitive and market environment” would be the most reliable source. This type of interviewee is referred to in the literature as „elite“. Elites are defined as a “group in society considered to be superior because of the power, talent, privileges etc of its members (Hornby, Cowie and Gimson 1983:280).

4.8 ACCESS TO CASE STUDY SITES
In March 2008, the entities’ organisational charts on company web sites were examined to identify executive managers. The selected managers were contacted by email; the email included a short introduction to the study topic. The managers themselves were asked to be participants. If they felt they were unsuitable or unable to participate then they were to identify a suitable
participant and ask that participant to contact the researcher directly\(^1\). Three of the four managers agreed to participate with one manager nominating his direct report, who contacted the researcher directly.

The Secretary of the Treasury department was contacted in the same manner (via email) as the other participants. The secretary passed the details of the research to one of his direct reports who contacted the researcher directly. A letter (Appendix A) was prepared which detailed the research topic, the aim of the research as well as the details of the department and university through which the research was to be conducted. This letter on University letterhead was posted to all participants. A description of how the proposed research was expected to contribute to the body of knowledge was also given. A general description of the proposed interviews and how they were to be conducted, including expected time required was incorporated. The letter also explained that all details of interviews including names and positions held in the organisations are held in confidence and that findings from the research would be made available to the interviewees. The letter also informed participants that all data would be de-identified at the time of data collection. The consent information form was assigned a participant code. Participants were identified by their participation code and it is this code, which was recorded on interview notes, transcriptions, work-in-progress (W-I-P) and in the resultant analysis. The letter concluded with the advice that a follow-up telephone call to discuss the process for the interview and to arrange a time to conduct the interview would be made. Follow up phone calls took place and meetings were scheduled with managers. Interviews and follow-ups took place as per the details in Table 4.8.

4.9 RESEARCH SITES
Field based research investigations were undertaken in the property development industry in Australia with a focus on the government providers in the industry. The contexts of this study comprised four corporatised but still government-owned entities in different states across Australia, and one Treasury department charged with financial oversight and thus considered a major stakeholder of the entities. I was interested in interpreting the perception

\(^1\) Ethics requirements prevented the researcher asking for the names directly
of participants within the study’s context. The conditions in which the research was conducted was in a non-contrived setting, allowing examination of this phenomenon in its real life context. Once the sites had been selected, the focus shifted to the type of information needed. An overview of the information required is discussed in the next section.

4.10 OVERVIEW OF INFORMATION REQUIRED

This multicase study focused on representatives from four government owned organisations, located in four different states of Australia. In seeking to understand the experiences of these executive managers with the phenomena under study, interview questions were explored to collect the information required. The information needed to answer these interview questions was determined by the conceptual framework, presented in chapter 3 and fell into three categories: a) contextual b) perceptual and c) theoretical. This information included the following presented in Table 4.4:

- The context within which the participants work, the culture and environment of the multi-case sites as well a knowledge of the organisations” history, objectives, products and services, planning, strategies and reporting framework. This information was collected from document analysis and the interview data.

- Executive managers’ perceptions of their experiences within these organisations. The managers provided this information.

- An ongoing review of the literature providing the theoretical grounding for the study. This was conducted continuously throughout the research project.
There are numerous possibilities for collecting data and they can all tell a different story. These different methods are discussed in the next section.

### 4.11 RESEARCH METHODS

This research was conducted by the following methods of data collection; document review, focus group and interview. Bloomberg and Volpe (2008) present a summary overview of the methods and function of these methods, presented in Table 4.5. Multiple sources of data collection were built into the study in order to validate the research findings. Interview data were supplemented by the extensive use of organisational and government official documents.
TABLE 4.5 QUALITATIVE DATA COLLECTION METHODS: A SUMMARY OVERVIEW

<table>
<thead>
<tr>
<th>Method</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document review</td>
<td>● Data are collected in their natural setting</td>
</tr>
<tr>
<td></td>
<td>● Records, documents, and artifacts provide contextual information and</td>
</tr>
<tr>
<td></td>
<td>insights into „Material culture“</td>
</tr>
<tr>
<td></td>
<td>● Facilitates discovery of cultural nuances</td>
</tr>
<tr>
<td>Focus group</td>
<td>● Fosters interactivity and dialogue among participants</td>
</tr>
<tr>
<td></td>
<td>● Describes complex interactions</td>
</tr>
<tr>
<td></td>
<td>● Clarifies and extends findings yielded by other methods</td>
</tr>
<tr>
<td></td>
<td>● Allows for increased richness of responses through synergy and interaction</td>
</tr>
<tr>
<td></td>
<td>● Notes or verbatim transcriptions are used to document the interview</td>
</tr>
<tr>
<td>Interview</td>
<td>● Fosters interactivity with participants</td>
</tr>
<tr>
<td></td>
<td>● Elicits in-depth, context rich personal accounts, perceptions, and</td>
</tr>
<tr>
<td></td>
<td>perspectives.</td>
</tr>
<tr>
<td></td>
<td>● Data are collected in their natural setting</td>
</tr>
<tr>
<td></td>
<td>● Interviews can be unstructured, structured, or semi structured</td>
</tr>
<tr>
<td></td>
<td>● Explains and describes complex interactions and processes</td>
</tr>
<tr>
<td></td>
<td>● Facilitates discovery of nuances in culture</td>
</tr>
<tr>
<td></td>
<td>● Notes or verbatim transcriptions are used to document the interview</td>
</tr>
</tbody>
</table>


4.11.1 Document review
The documents analysed and listed below provided contextual information and were used to corroborate and augment evidence from the interviews conducted. Thus, a significant number of documents were collected and analysed during the study. „Gathering data by studying documents follows the same line of thinking as observing or interviewing. One needs to have one’s mind organised, yet be open for unexpected clues“ (Stake 1995:68). The four cases analysed are referred to as Alpha, Beta, Gamma and Delta throughout the thesis. The document analysis involved a review of the following listed documents and indeed as predicted by Stake (1995) did provide unexpected clues which were pursued with the interviewees:
### TABLE 4.6 SUMMARY OF DOCUMENTS REVIEWED

<table>
<thead>
<tr>
<th>ALPHĀ</th>
<th>BETA</th>
<th>GAMMA</th>
<th>DELTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha's annual reports 2005</td>
<td>Beta's annual reports 2005</td>
<td>Gamma's annual reports 2005</td>
<td>Delta's annual reports 2005</td>
</tr>
<tr>
<td>2009</td>
<td>2009</td>
<td>2009</td>
<td>2009</td>
</tr>
<tr>
<td>Alpha's Act (including the amendments)</td>
<td>Beta’s Corporation Act</td>
<td>Gamma's Land Authority Act</td>
<td>Delta’s Corporation Act</td>
</tr>
<tr>
<td>Associated requirements of the Public Finance and Audit Regulation 2005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspaper articles and other media sources</td>
<td>Newspaper articles and other media sources</td>
<td>Newspaper articles and other media sources</td>
<td>Newspaper articles and other media sources</td>
</tr>
<tr>
<td>Government documents</td>
<td>Government documents</td>
<td>Government documents</td>
<td>Government documents</td>
</tr>
<tr>
<td>Alpha's website</td>
<td>Beta’s website</td>
<td>Gamma’s website</td>
<td>Delta’s website</td>
</tr>
<tr>
<td>State Auditor General reports</td>
<td>State Auditor General reports</td>
<td>State Auditor General reports</td>
<td>State Auditor General reports</td>
</tr>
</tbody>
</table>

Other documents reviewed:
- Productivity Commission Website and Reports
- Australian National Audit Office Reports


4.11.2 Focus group
Data were collected from a focus group as it adds richness to a discussion, allowing one participant to add further clarification or insight to the comments from another. This happened on several occasions through the course of the focus group. It was a very interactive and dynamic discussion. The literature defines it as follows “A focus group is essentially a group discussion focused on a single theme” (Kreuger 1998:10). While often considered structured discussions they can also be flexible. “Focus groups are planned and structured, but are also flexible tools” (Vaughan, Schumm and Sinagub 1996:15). The literature presents many uses of focus groups: a) elicit a range of feelings, opinions and ideas; b) understand differences in perspectives; c) uncover and provide insight into specific factors that influence opinions; and d) seek ideas that emerge from the group” (Kreuger and Casey 2009:21). As with every other form of data collection focus groups can also have disadvantages; among these is group think as a possible outcome (Fontana and Frey in Denzin and Lincoln 2000). For this research a single, one and a half hour focus group was convened with three participants of the Treasury department. The interactive discussion and diverse views of participants indicated “group think” was not an outcome from this focus group.

4.11.3 Interviews
The interview was selected as the primary method of data collection for this current research. Interviews were semi-structured with the same set of questions asked of all interviewees. Interviews were considered the most useful method of data collection because as outlined by Charmaz (2006:24) “an intensive interview permits an in-depth exploration of a particular topic with a person who has had the relevant experiences”. It gave the researcher the opportunity to clarify statements and probe for further details. It also allowed follow up with participants once analysis was underway to confirm or make corrections where it was deemed necessary. The majority of questions were exploratory, aiming at investigating why entities, for example, adopt particular
practices and approaches when dealing with different stakeholders. Some questions were explanatory and investigated what actions entities took in response to identified issues in measuring outcomes. *It is important to understand why the key decisions were taken, under what circumstances and with what results*" (Schramm 1971:23).

Interviews can take several forms. The type selected for this research was open ended in nature, because the organisational role of the interviewee was considered more of a key „informant“ or „elite“. Some issues, which can arise when interviewing „elites“, include: obtaining access to sites; managing the power asymmetry between interviewer and interviewee; and assessing the openness of elites, as well as providing feedback (Welch, Marschan-Piekkari, Penttinen and Tahvanainenl 2002:614). Obtaining access to sites was discussed in Section 4.8. Kvale (2009) raised the concern of the difficulty of developing a successful working relationship with interviewees, if there is a power imbalance between the researcher and the interview subject. „Studies on elite interviewing are unanimous that the power balance is likely to favour the informant over the researcher“ (Welch et al 2010:615). I experienced a successful and open relationship with the interviewees who were receptive to further interviews and correspondence to clarify issues. There was no apparent power imbalance. Openness of elite interviewees is also debated in the literature. Thomas (1993:85) argues this is particularly the case with senior executives, who „are often expected to speak on behalf of a formal organisation – even to speak as if they were the organisation.“ This may result in gaining nothing more from the interview than what could have been gleaned from press statements or annual reports as discussed by Welch et al (2010:615). On the other hand Welch et al (2010:616) also reports „some researchers have been surprised by the degree of frankness they encountered.‘‘ The frankness of interviewees in conducting this research was very clear and very welcomed. These „elites“ provided greater insights into the matter under investigation and suggested sources of corroboratory evidence, for example at times referring to particular parts of their corporation acts or a particular paragraph in an annual report or social policy document. As mentioned earlier, research is not simply
reporting what has been said but realising that the interviewees have taken on a particular identity in their role as interviewee. For example they are not acting as a manager at that particular time but as a source. Interviewees put to work analytic resources when they engage in talk...talk is not simply expressive of interior states or contents. Talk is social action: people achieve identities, realities, social order and social relationships through talk" (Silverman 1997:132).

The opportunity to interview participants allows for deep exploration of the participants experiences but also has disadvantages. "Qualitative interviewing provides an open-ended, in-depth exploration of an aspect of life about which the interviewee has substantial experience, often combined with considerable insight" (Charmaz 2006:29). However, it is also important to note limitations of the responses during interviews. Parker (cited in Christensen 2003:24) noted the following "...while oral history has powerful advantages...it may also be self serving to the interviewees, contaminated by nostalgia, limited by the interviewees" memory and censored by a reluctance to reveal sensitive or controversial information". The comment regarding reluctance to reveal sensitive or controversial information was taken note of. However, contrary to Parker's comment, in the interview process some of the participants seemed very keen to reveal controversial information, revealing a frustration with some of the processes within their particular cases. Schramm (1971:26) notes:

"Reliance during a short visit on the persons who know the project best is a two-edged sword. It may open the way for those persons to make a good case for what they have done. However, to seek out witnesses who are experienced and well-informed, but have no need to defend the project or, for that matter, to attack it...is a way to check one experience, one conclusion, against another."

To reduce this potential problem evidence was gathered through secondary data: for example checking interview data against policy documents and comparing the data. Also where criticisms did occur, the evidence was documented. Interviews were conducted at four case units as well as at Treasury, which provided an opportunity to compare disparate views rather than just accept one point of view. The particular methods used to collect data to answer the research questions posed are presented in a summary in Table 4.5.
The interview questions posed as well as what information was required by the researcher from participants and documents is presented. The process of interviewing participants followed the guidelines of Swinburne’s Human Research Ethics Committee (SUHREC) in line with the *National Statement on Ethical Conduct in Human Research*. The steps followed are discussed in the next section.
<table>
<thead>
<tr>
<th>Interview question</th>
<th>What the researcher wants to know</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What has been your experience working for a government entity?</td>
<td>Participants perceptions about working in a government owned entity where they are required to balance conflicting objectives</td>
<td>Interview</td>
</tr>
<tr>
<td>2. What are the main factors, which assist or hinder your ability to achieve CSOs?</td>
<td>Participants’ perceptions on who (stakeholders) and what (resources) helped them achieve organisational objectives. The obstacles and stumbling blocks that stood in the way of the participants achieving organisational objectives. What strategies have they engaged to achieve their outcomes on CSOs?</td>
<td>Interview</td>
</tr>
<tr>
<td>3. How are CSOs reported and to whom are they reported?</td>
<td>What management control systems the participants and others in the organisation have employed to develop accountability and transparency structures to satisfy multiple stakeholders?</td>
<td>Interview and document review</td>
</tr>
<tr>
<td>4. Do you have multiple CSOs? What are they and how do they differ?</td>
<td>The kinds of activities that the participants consider to be CSOs</td>
<td>Interview</td>
</tr>
<tr>
<td>6. How in your opinion is it possible for a corporatised government entity to balance or prioritise a commercial rate of return with CSOs?</td>
<td>The participants perceptions on how a government owned entity may balance conflicting objectives</td>
<td>Focus group</td>
</tr>
<tr>
<td>7. To what degree do you think a corporatised government entity is different to a private sector business, operating in the same area? How is this difference manifested?</td>
<td>The participants perceptions on the differences between public and private business competing in the same industry</td>
<td>Focus group</td>
</tr>
<tr>
<td>8. What groups impact on the decision to deliver CSOs?</td>
<td>The participants’ perceptions on who are the key stakeholders in decision making on CSOs.</td>
<td>Focus group</td>
</tr>
<tr>
<td>9. What factors or resources/ and or barriers could potentially enable or limit the ability to achieve good CSO outcomes?</td>
<td>Participants’ perceptions on who (stakeholders) and what (resources) would help the organisation achieve its objectives. The obstacles and stumbling blocks these participants identified as standing in the way of the organisation achieving its objectives.</td>
<td>Focus group</td>
</tr>
<tr>
<td>10. What in your opinion is the best way to deal with CSOs under the direction of a government entity (eg in terms costing and reporting)</td>
<td>Participants perceptions on the kinds of strategies organisations could employ to carry out their objectives</td>
<td>Focus group</td>
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</table>
4.12 ETHICAL CONSIDERATIONS

There are generally three types of ethical guidelines regarding interviewing. They are informed consent, confidentiality and consequences. Each type is described below detailing how they were addressed for this research.

4.12.1 Informed consent

Prior to the interview, each interviewee was provided with details of the research topic, overall purpose and an outline of the key areas to be covered during the interview. The interviewee was asked to read and when satisfied, sign a prescribed Consent Information Form (Appendix E) advising participation was voluntary with the right to withdraw at any time from the study. In addition the consent form outlined the objectives of the research, the methods to be used, how response data was to be used, and assurances of their anonymity and confidentiality. The interviewer also sought permission to use an audiotape during the interview.

4.12.2 Confidentiality

All interviewees were informed that their name and their entity’s name would remain anonymous. In the presentation of results, analysis of data and discussion of the outcomes no references to an individual person or entity would be made to maintain confidentiality of participants. All tapes and transcripts were kept in a locked filing cabinet during and after the research as required by Swinburne”s Human Research Ethics Committee (SUHREC) in line with the National Statement on Ethical Conduct in Human Research.

4.12.3 Consequences

The consequences of participation to participants was also considered and was outlined by Kvale (2009:73) „The consequences of a qualitative study need to be addressed with respect to possible harm to the participants as well as to benefits expected from their participation in the interview”. Possible harm to participants was taken into consideration in this current research and questions were designed to obtain specific information about how the entity was addressing particular issues. This ensured that interviewees were not uncomfortable with answering „personal” questions and enabled practical responses to be recorded. By obtaining information on how entities were
considering and addressing particular issues, it was envisaged that the data would provide insight into how specific industry sectors and subsequently how the industry as a whole, were and should manage delivery and measurement of outcomes. Potential benefits for the interviewee of participating are the opportunity to contribute in a positive way to potentially improving public policy, programs and outcomes in an area, which can have critical and significant impact on the lives of Australian citizens.

4.13 FIELDWORK
The fieldwork was undertaken over a period of fourteen months from July 2009 to September 2010, with other data collection for example document collection and review taking place prior to interviews. Follow up from interviews continued until September 2010. In some cases follow up involved telephone calls to clarify and elicit further information, in other cases, emails were exchanged to further clarify. In June 2008 participants were initially contacted to determine if they would be willing participants in the research. It took over one year to begin the actual interviews. Contact was made with the executive assistants of managers to arrange appointments. The Treasury Department focus group took place in a meeting room within the Treasury building and was organised by the participants. The participants from case units Alpha and Beta were interviewed in their organisation’s boardroom. The participants from case units Gamma and Delta organised the interviews to take place in their own offices. The interviews took between one and one and a half hours and the focus group took one and a half hours. A summary of the interviews and focus group conducted is presented in Table 4.8.
On the day of the interviews and the focus group, the researcher discussed the research topic and the outcomes expected with all participants. The informed consent forms and all ethical considerations were discussed and explained to the participants informing them they could withdraw from the research at any time of their choosing.

The participants were asked if the interviews could be recorded. All participants agreed recording was acceptable and an audio recording of all interviews was conducted. On completion of each interview the audio-recorded data was sent for transcription. The transcription was „data cleaned“ by the researcher, meaning that the researcher read through the transcripts while listening to the recordings to ensure the interviewees’ words were represented correctly. A person unfamiliar with the language of business and accounting could unwittingly misrepresent the respondent and indeed the interviewer. There were some minor errors, which were corrected immediately. The transcribed interview data was saved on the computer’s hard drive in the researcher’s office as well as a back up copy on the researcher’s laptop as required by the

<table>
<thead>
<tr>
<th>Field research site</th>
<th>Interviewee role</th>
<th>Interview date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Department</td>
<td>3 Person focus group</td>
<td>13/7/2009</td>
</tr>
<tr>
<td></td>
<td>Follow up</td>
<td>16/12/09</td>
</tr>
<tr>
<td></td>
<td>Follow up</td>
<td>23/8/2010</td>
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<td></td>
<td>Follow up</td>
<td>21/9/2010</td>
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<tr>
<td>Gamma</td>
<td>Participant 1</td>
<td>29/7/09</td>
</tr>
<tr>
<td></td>
<td>Participant 2</td>
<td>29/7/09</td>
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<td></td>
<td>Participant 3</td>
<td>29/7/09</td>
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<td>Beta</td>
<td>Participant 1</td>
<td>10/9/09</td>
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<td></td>
<td>Participant 1</td>
<td>4/2/2010</td>
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<tr>
<td>Delta</td>
<td>Participant 1</td>
<td>9/12/09</td>
</tr>
<tr>
<td>Alpha</td>
<td>Participant 1</td>
<td>31/7/09</td>
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<td></td>
<td>Follow up</td>
<td>11/12/09</td>
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<tr>
<td></td>
<td>Follow up</td>
<td>27/4/2010</td>
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</tbody>
</table>
Swinburne policy on the conduct of research. The recording was also downloaded and burned onto a CD, which was kept in a locked cabinet again in the researcher’s office.

The recorded data allowed not only a visual representation of the data from the transcripts, but with the downloaded audio CD also permitted the opportunity to note where the respondents emphasised certain points and also when respondents were more vocal on certain points. This audio analysis of the data combined with the visual representation seemed to bring the data to life and enrich the stories told. The documents analysed were publicly available and where possible were downloaded from the relevant sites. Once data was collected, the process of analysis commenced immediately. All identification was removed from the data. Only the interviewer is aware of the real names and identities of the respondents. The analysis process is discussed in the following section.

4.14 DATA ANALYSIS

The analysis process initially involved reduction of the collected data prior to rebuilding to convey the holistic story. The first activity of the analysis process was to read several times the documents and interview transcripts, allowing the researcher to get a sense of the „whole“ before beginning the process of breaking the data down into constituent parts. „Analysis involves what is commonly termed coding, taking raw data and raising it to a conceptual level“ (Corbin and Strauss 2008:66). Notes were made, ideas were jotted down, reflections and comments were made as the data was worked through. While these were refined and altered later, they provided an initial framework for the development of the study’s findings. While reading the transcripts, it quickly became apparent that managers at each case unit site focused on a core number of stakeholders. A table of stakeholders was constructed, showing the different terms or categories of stakeholders mentioned. This tabulation showed a strong correlation across case units of which stakeholders were mentioned and allowed a better understanding of the environment in which the entities operate. This proved to be crucial to understanding the subsequent overall strategic activities management at the case study units took in dealing with
stakeholder demands. „Simple counting techniques…can offer a means to survey the whole corpus of data ordinarily lost in intensive, qualitative research… In turn, researchers are able to test and to revise their generalizations, removing nagging doubts about the accuracy of their impressions about the data” (Silverman 2010:286). The categorisation and coding of data was the next step in the analytic process.

4.14.1 Categorisation and Coding
The second activity after reading documents, interview transcripts and listening to tapes was to reduce the vast array of words, sentences and paragraphs to make the data understandable. The reduction process involved questioning the data. Corbin and Strauss (2008:72) categorised the types of questions that can be asked of data. These questions were used to prompt and begin the analysis of data.

- **Sensitizing questions**…what is going on here, who are the actors involved, how do they define the situation, what is its meaning to them, what are the various actors doing, are their definitions the same or different, when, how, and with what consequences are they acting, and how are these the same or different for various actors, and various situations?

- **Theoretical questions**…what is the relationship of one concept to another; that is how do they compare at the property and dimension level, what would happen if…? How do events and actions change overtime? What are the larger structural issues here and how do these events play into or affect what I am seeing or hearing?

- **Practical questions**…Which concepts are well developed and which are not, where, when, and how do I go next to gather data for my evolving theory, is my developing theory logical, and if not, where are the breaks in logic, have I reached the saturation point?

- **Guiding questions**…these are the questions that guide our interviews, observations, document gathering, and analyses of these.

This reduction process and questioning revealed what was most important and of interest and was then transformed through categorisation to draw out themes
and patterns, referred to as the “winnowing process” (Creswell 2006:153). The data was classified into meaningful categories, following an inductively based procedure, referred to in the literature as template analysis. “A template is essentially a list of the codes or categories that represent the themes revealed from the data that have been collected” (Saunders et al 2007:496). Some categories were derived from the theoretical framework and some were derived directly from the data. It was important not to force data into categories which did not “fit” the theoretical framework, allowing the framework to remain flexible and open to the unexpected and allow the data to tell the story of the participants. This approach was taken so that I did not use a closed, predetermined approach but ensured an open, data driven approach to the analysis of the data. As Seidman (1998:100) puts it “The interviewer must come to the transcript prepared to let the interview breathe and speak for itself”.

A coding scheme was introduced to develop a management system of classification. Codes were created that described patterns or themes that were emerging from the data and these coded pieces of information were assigned to the categories of the theoretical framework as well as new categories that emerged from the data. The categories became the repositories of the data. “Coding is essentially a system of classification, the process of noting what is of interest or significance, identifying different segments of the data, and labeling them to organise the information contained in the data” (Bloomberg and Volpe 2008:102). A sample of the data coding scheme is presented in Appendix J. The coding was done manually, and as analysis of data proceeded, the number of codes increased. While the transcripts were read multiple times, sorted and coded, preparation of data summary tables was also taking place, categorising the data. As categories began to emerge from the data, summary sheets for each category were being prepared. Numerous categories were established initially as transcripts were analysed for data. It soon became apparent that some of these categories could be reduced and moved to other categories. As the process of coding the transcripts proceeded, new category summary sheets were prepared to capture other themes as they emerged.
As the researcher worked through the transcript and coded the data, the researcher began placing direct quotations from participants into the appropriate categories. In the analysis chapters, the reader will find at times quite long quotes from participants. This was done to indicate that sequencing was considered of utmost importance when conducting the analysis of data. Silverman (2007:71) discusses sequencing "In interpreting any instance we cannot neglect the sequence in which it is embedded." For example, when analysing the data, participants at various times throughout the transcript referred to "people". This term "people" at times referred to the community, at other times to the private sector and also at times referred to the company’s employees. Without taking sequencing (that is what was said before and after the word) into consideration the interpretation of the data would be incorrect. Detail is very important in qualitative data analysis. This was one of the reasons I decided to code manually, as I felt a software package could potentially overlook sequencing.

I was vigilant in seeking not only material that was supported in the literature and where contradictory evidence or an unexpected opinion emerged it was included in the findings. Where contradictory evidence was found, I went back to the raw data to reinterpret, ensuring the interpretation was correct. As Miles and Huberman (1994:208) assert "Inquire into deviant cases…the cases that do not fit your emerging explanations are your friends. They surprise you, confront you, and require you rethink, expand, and revisit you theories." Initially each case unit’s transcripts were analysed independently in order to ensure an understanding of the dynamics of each particular case. A cross-case analysis was then conducted and is discussed in the next section.

4.15 CROSS CASE ANALYSIS
As this study was a multiple case analysis, cross case analysis was conducted in order to further explain the findings from the individual cases. Multiple cases are in a real sense our best resource for advancing our theories about the way the world works (Miles and Huberman 1994). The cross case analysis process involved preparing a matrix to display the findings from each individual case. The matrix displayed the findings from each individual case and grouped them
in thematically connected categories. This new display, allowed a close look across cases to see possible patterns or themes emerging. The matrix displays are presented in chapter 9 followed by discussion. The final and critically important part of the analysis, credibility, validity and reliability are discussed in the following section.

4.16 QUALITY OF THE RESEARCH

Quality considerations were taken into account in conducting this study. Specifically, to ensure the reliability and validity of this current study, the steps discussed below were followed.

4.16.1 Reliability

It is important to demonstrate how the data collected and analysed in this study is considered to be reliable. „Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions” (Hammersley 1992:67). To increase reliability of the data collected direct quotes of what participants said are reported word for word in the analysis. This reduces the number of inferences based on sources other than direct observation. To further increase reliability, the method of using in-vivo coding, that is terms used by the participants in the analysis of data allows an independent investigator to follow the audit trail of coding through to interpretations to individual case findings. Anecdotalism, has been raised as a quality issue in qualitative research by Silverman (2010:274), he cites for example „the anecdotal use of data extracts [like spectacular quotes from participants] out of context“ as a concern and one which researchers need to take note of. As a solution to this problem, in conducting analysis for this current research, as mentioned earlier large data extracts from participants are inserted in the analysis chapters, ensuring the data were situated in their broader context and thus in correct sequence and not simply taken out of context to match with theory.

4.16.2 Validity

I feel it is my duty as a researcher to truly represent the participants’ perspectives in reporting their account of events and activities. „By validity, I
mean truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers” (Hammersley 1992:57). Validity for this current study was established through triangulation. “Triangulation is the use of multiple data sources that are converged to validate the findings” (Yin 2003:97). Triangulation techniques used in this study included cross checking between interviews, document analysis and focus group data. A research journal was also written during the course of the study.

Also this research is a multiple case design and this improves the external validity of the results. As stated by (Gagnon 2010:33) „increasing the number of cases studied will automatically help improve the external validity of the results.”

External validity was sought further through the selection of cases which were in the same industry. This ensured all cases were in a setting as close as possible to one another, in other words in a similar context. For external validity, replication of the findings should occur if others replicate the research. Once such replications are made, the results might be accepted for a much larger number of units.

4.17 SUMMARY

This chapter has addressed the research paradigm, methodology and methods employed for this research. The chapter has discussed and justified why a multi-case qualitative study was undertaken for this research and explored both strengths and limitations of the chosen methodology. This chapter has sought to describe the effort that has been made to address these limitations to produce a rigorous multi-case study. The steps taken to ensure this study was both valid and reliable were also presented. The case studies themselves are presented in the ensuing chapters, Chapters 5 through 8.
CHAPTER 5 ANALYSIS OF ALPHA

5.1 INTRODUCTION
This chapter reports the findings of the analysis of data collected in and pertinent to the case Alpha. I will describe the way in which Alpha deals with community service obligations (CSOs) in practice. I will explore the style of management control system (MCS) in use by the organisation’s management. I will consider each of the factors that have been identified in the theoretical framework in Chapter 3, and that are predicted to influence management. I have already outlined the theoretical background and the justification for the presented propositions in Chapters 2 and 3 respectively.

The analysis begins with an overview of the case Alpha. Then, all components of the theoretical framework are discussed in detail. Firstly, the stakeholders are identified and then the attributes of these stakeholders are analysed through the Mitchell et al (1997) model. Secondly, the strategic responses enacted by management at Alpha in its dealings with the identified stakeholders are analysed through Oliver’s (1991) model.

The findings in this chapter are presented according to the approach to analysis outlined in Chapter 4. No substantive contradictory evidence has been omitted from the discussions.

5.2 OVERVIEW OF ALPHA
Alpha was corporatised in 2003 and resulted from a merger of two state entities. In a media release at the time of corporatisation the organisation’s charter was described as follows: “Alpha is to deliver sustainable urban development including affordable housing, prosperous communities and excellence in design.” The entity is obliged to act commercially in its operations, and as it is noted within its relevant state Act, will at times have non-commercial functions.

5.2.1 Reports
According to the Act under which the organisation operates:

- Alpha is subject to the general direction and control of the Minister.

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2 The media release is not referenced, as it would identify the case unit, however a copy of the source is held by the researcher should the examiner request a copy.
• Alpha is subject to any specific direction given to it by the Minister with the approval of the Treasurer.

5.2.2 Board and executive
According to the Act under which the organisation is governed, the board is responsible for the management of Alpha’s affairs, and may exercise Alpha’s powers. The board consists of a chairperson, a deputy chairperson, and no more than seven directors. The Governor-in-Council appoints Alpha’s chairperson, deputy chairperson and other directors.

5.2.3 Planning tools
A corporate plan is prepared for each financial year and must be approved by the Minister and the Treasurer. The corporate plan must include a statement of corporate intent, a business plan and financial statements. This corporate planning process is the critical interface between the government and Alpha’s board.

5.2.4 Control - performance reporting
The annual report presents the performance of the organisation over the financial year. The financial statements are presented to parliament together with a report on the financial performance of the organisation. The organisation reports under the State’s Financial Management Act.

5.3 COMMUNITY SERVICE OBLIGATIONS (CSOs)
This section reviews and discusses the way in which Alpha deals with CSOs in practice.

5.3.1 Definition and characteristics
Alpha’s state government elected not to adopt the recommended definition of a CSO put forward by the Productivity Commission. Alpha’s state government defines a CSO as follows:

“A CSO should be defined as arising when Parliament or the executive government expressly requires a government trading enterprise to carry out an activity which it would not elect to provide on a commercial basis, or which would only be provided commercially at higher prices”
It was noted in Section 5.2 that Alpha has commercial and non-commercial objectives, as directed by its state government. Under the characteristics that help define a CSO, presented in Table 2.2, it is determined that the provision of, for example, affordable housing to the community is a form of CSO. The provision of affordable housing is identified as a community benefit. It is likely that Alpha would not have chosen to provide this product, if it were a private company and if it were not controlled by government. As a manager explains, “... as the legislation says, you know; contributes to the delivery and development of urban policy. Now you wouldn’t be asking the private sector to do that” (CS41).

5.3.2 Funding
When a corporatised government entity provides CSOs, the literature suggests there are a number of funding options available. While direct funding of CSOs is generally recommended as the preferred and most transparent funding method (see Section 2.4.2), it has the potential to stifle innovation and result in inefficiencies. On the one hand, for example, if an organisation is aware that it will be fully funded for carrying out a CSO, this could potentially remove its incentive to be efficient. On the other hand, if the organisation is not funded directly, this can potentially result in improved innovation and efficiencies. A manager suggests that the fact that they do not necessarily receive funding for CSOs results in innovation at Alpha. A manager explains: „Well I mean that’s [the fact that they are not being directly funded] essentially, that’s the area of innovation that we have to work out how to do ... and when we say innovation we don’t mean something which is technically interesting but commercially useless” (CS41). While Alpha has a focus on innovation, apparently driven by a lack of direct funding for CSOs, it continues to be commercially aware, combining innovation with commerciality. A manager explains:

“... if we want our innovation to be replicated, they’re never going to be replicated if they lose money. So again, if our objective is to demonstrate innovation, de-risk it for the private sector and have it replicated it’s got to make money. So that’s a good discipline, a really good discipline.” (CS41)
While direct funding is not always provided to Alpha, there are other funding options available. Another method of funding for CSOs, as discussed in Section 2.4.2 is accepting a lower rate of return on capital and, as noted in the literature, this is considered the least transparent method. However, it does remain an option and a reality in practice. The potential for lack of transparency concerns Alpha’s management. A manager at Alpha points out how it is important to make the acceptance of a lower rate of return explicit through the corporate plan process supporting the concerns raised by Martin (1996) (see Section 2.4.2). A manager makes the following comment:

“… well we can choose to deliver lower rates of return in exchange for delivery of public policy outcomes, that's one of the options that we can countenance but that again should be done explicitly through the corporate plan or we can actually show how you can still achieve commercial rates of return whilst sorting out and solving some of those problems which is why I firmly believe that this business is fundamentally about innovation and urban development cause that's what its there to do”(CS41).

While the method of funding is discussed in the literature, a representative from Treasury raises the issue of the need for clarity on what exactly the funding is for and how major funding issues can materialise. The participant comments:

“… You know, do we fund them to supply land or houses or whatever, or do we fund them on the basis that there is a need for community and so to make money available as it’s required. This is high risk, because population growth in this state has been significant in the last five years, way way way in excess of what the government anticipated it would be, and if you had demand-side funding arrangements, obviously that would drive your baseline right up and not necessarily give you revenue to go with it, which means you’ve got a major funding issue.”(GDR2)

5.3.3 Transparency
As Alpha’s CSOs are not necessarily directly funded and a lower rate of return on capital is acceptable (although, it is implied that this is not management’s general practice), the actual costs of Alpha’s CSOs are not transparent. This has a number of implications: Alpha’s financial performance cannot be measured against a private company and thus inefficiencies and poor performance can potentially go unnoticed: the state government cannot accurately plan and budget for CSOs in the future, if costs are unknown or
inaccurate, and investors cannot make informed decisions based on the financials reported, potentially placing Alpha in an inferior position when competing against the private sector for funding. A manager explains:

“…when you say a commercial rate of return, I mean that then becomes an interesting question. I mean I’ve got meetings with the superannuation funds this afternoon, we’re talking about hurdle rates which you know, need to reflect the current market reality. ”

(CS41)

The findings and the implications discussed above all reveal a lack of transparency in the costs of CSOs. As discussed in Section 2.4.4 transparency of the non-financial elements of CSOs is also important. For example, reporting on consumer, community and other social outcomes is essential to ensure that these outcomes remain a focus of the organisation’s management in addition to the commercial focus of the business. If these outcomes are not reported, how does Alpha purport to satisfy the community needs that they were initially set up to meet.

5.3.4 Performance Reporting

As discussed in Section 2.4.4, the Productivity Commission raised concerns regarding the lack of reporting on outcomes. A manager at Alpha comments on some of the difficulties of measuring CSOs:

“CSO performance indicators, I mean this is at the heart of the issues in part as a lot of the things that we measure, that we deliver are quite intangible and you know, how do you measure the overall resilience of a community, the economic vitality of a community? You can over the long term but not on an annual performance reporting cycle… So you end up – it’s the usual bureaucratic problem of do you measure outcomes, outputs or inputs…Of course it should be outcomes but the outcomes as I said are delivered over the long term. Outputs, well sometimes those are useful, sometimes they’re not and inputs, well you know, that’s when you’ve really lost the plot and indeed where Statutory Authorities have KPIs which are input based, that’s usually a sign in my experience that the Government doesn’t trust the organisation because basically they’re saying we’re going to monitor how many staff you have and we’re going to monitor your – I don’t know, in this organisation it would be dollars per lot produced or something. So this micro managing, by the time you’ve

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3 Superannuation funds are major investors in Alpha
done that you loose the will to live and they should abolish the organisation..." (CS41)

This comment by the manager implies that only annual reporting of performance is meaningful. However, there would seem to be no sound reason for an entity to report ongoing outcomes as they occur and not necessarily on a scheduled annual basis. So while the lack of reporting on outcomes continues to be an issue for Alpha, perhaps the narrow view that all performance dimensions must be measured and reported on a yearly cycle could be broadened. The comment by the manager above implies that the idea of measuring inputs is highly offensive. This result is consistent with the finding by Abernethy and Stoelwinder (1995) (see Section 2.7.1) that managers with a high professional orientation find it offensive when superiors impose targets to be achieved. Treasury also has concerns with what should be measured. A representative explains:

„They (federal and state governments) both have outputs. They don’t do a lot of thought about outputs up there; they produce a whole lot of information, but outputs is a term that’s going to die in the next 5 years. And if I have my way, I’ll kill it because it’s useless, it’s private sector... rubbish concept that doesn’t work. We’re all familiar with it now, but it’s dead, it shouldn’t be there...” (GDR2)

Following further discussions on CSOs a manager discusses how the vehicle for reporting CSOs is „supposed” to be the annual report:

„…Well our annual report is supposed to be the vehicle by which we do that, it combines both financial and non financial reporting. We don’t typically report on projects and produce project reports although I’m in the midst of preparing a report on the first decade of D4 which will say what has been achieved and perhaps what hasn’t been achieved in the first decade. We’re not required to do that, we choose to do that. So our formal reporting requirements are as per any statutory authority, to table your annual report in Parliament, to meet the Government’s accounting standards for presentation of financial information and situation is normal.” (CS41)

This suggests that the standard reporting mechanisms in the annual report do not emphasise the achievements (or lack thereof) of the organisation, which drives management to prepare additional reports. This could imply that the reports currently in use are not adding value, since, it is unlikely that

4 The development is not identified to ensure anonymity of the case unit.
management would elect to spend time making improvements to the current reporting structure by preparing extra reports that are not requested, unless it felt that they would add value to the organisation and help managers plan the business better.

5.3.5 Management control system – style of use

The types of measurements referred to by management are financial in nature and suggest the use of a diagnostic control system. In the literature diagnostic control systems are suggested by Simons (1995) to be connected with employee behaviour constraint (see Section 2.7.1). A manager at Alpha appears to feel behaviour is constrained by measurement tools.

„So then you end up with an organisation which has all these rules and regulations which add additional cost and additional penalties, if they don’t allow us to generate competitive advantage because they constrain our staffing and then they go – then you kind of go, why do we deliver nothing different to the private sector? Funny that“(CS41)

Furthermore, some of the rules and regulations in place appear to be more of a hindrance than a help in meeting business objectives. A Treasury representative makes the following point with regards to this issue:

„So potentially they’re not as free to go and pursue other areas that they might consider they could grow the business in if it’s not consistent with what government would like them to be doing.“(GD3)

A manager further emphasises the potential impacts of these constraints and makes the following comment:

„…the level of bureaucracy and rules and regulations that govern what we can and can’t do is stifling and risks stifling innovation as well…“(CS41)

This manager appears frustrated and constrained by the number of rules and regulations. A Treasury representative also comments on the constraints on government-owned organisations that tend not to be felt by private companies:

„… but I think at the edges you’ll always get that they feel more constrained by government policies than a purely private sector operation would.“(GD1)

The comment by this manager implies that these constraints impede the meeting of organisational objectives, for example innovation, and also implies a
possible decline in morale indicated by the use of the word „stifling”. Diagnostic systems are also considered to achieve a lower-level rather than higher level-learning outcome. According to de Haas and Kleingeld (1999) such excessive diagnostic use achieves a lower-level learning outcome:

„Diagnostic use represents single loop learning but not the higher level learning (double-loop), which is necessary for innovative behaviours.“ (de Haas and Kleingeld 1999:256)

This may explain the above manager’s perceived frustration with the rules and regulations with which management is required to comply, resulting in little or no value to the outcomes of the organisation.

Further examples of the use of a diagnostic system are revealed in the type of information Alpha presents where outputs are reported. However, the targets for Alpha”s business objectives are commercially sensitive. Therefore it is difficult to determine if the organisation”s objectives were met. Nevertheless, it was possible to determine the revenue and profit generated and the dividends returned to the government. The financial results give an overview of the organisation”s financial performance and are determined by analysing Alpha”s financial statements from 2005 to 2009. „The financial report is a general purpose financial report, which is prepared on an accrual basis in accordance with the Financial Management Act“ (Alpha, Annual Report 2008:40). The revenue, profits and dividends returned to government are presented in Table 5.1 below.

**TABLE 5.1 ALPHA’S FINANCIAL RESULTS IN $’000**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>171,472</td>
<td>203,500</td>
<td>212,800</td>
<td>251,500</td>
<td>160,055</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>18,163</td>
<td>19,623</td>
<td>16,900</td>
<td>23,158</td>
<td>(8,454)</td>
</tr>
<tr>
<td><strong>Dividends to government</strong></td>
<td>11,400</td>
<td>0</td>
<td>0</td>
<td>2,986</td>
<td>8,866</td>
</tr>
</tbody>
</table>

Source: data collected from Alpha annual reports.

Alpha”s revenue increased yearly from 2005 through to 2008 but dropped considerably in 2009. While Alpha”s profit increased from 2005 to 2006, it

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5 Total revenue from ordinary activities
6 After income tax equivalents
dropped marginally in 2007 but recovered in 2008. However, the organisation had a substantial loss in 2009, which management attributed to the global financial crisis (GFC) "primarily due to the commercial property sector having been impacted by the economic climate; commercial property developers have experienced particular difficulty in obtaining finance for construction and acquisition of land." (Alpha, Annual Report 2009:23)

Alpha made a significant profit four out of the five years analysed. However, as previously mentioned, the targets for its business objectives are considered commercially sensitive and therefore it is impossible to determine success or failure in terms of Alpha’s profitability expectations over the five-year period analysed.

It is noted that no dividends were returned to Treasury in 2006 and 2007 even though Alpha generated a substantial profit. Alpha is only obligated to pay a dividend after a formal determination is made by the Treasurer of its state, following consultation between Alpha’s board, the Minister and the Treasurer (Alpha, Annual Report 2009: 75).

Alpha, as suggested above, also reports on non-financial measures. These are presented in Table 5.2 below. Alpha’s objectives, as evidenced throughout this chapter, include meeting economic, social and environmental objectives. In Alpha’s statement of corporate intent, the organisation’s business approach is said to be founded on a commitment to sustainability, which embraces: community wellbeing, environment, urban design excellence, affordable living and economic viability. A manager explains what sustainability means to the organisation: “When we say sustainability we mean economic, social and environmental…” (CS41)

Social and environmental outcomes are usually measured in terms of their impact on society and the environment. The impact on society of these outcomes is not reported by Alpha. Alpha has a strong focus on social and economic objectives, as outlined in its annual report of 2005: “Commercial sustainable development has once again been the focus … including considerable focus on environment, community wellbeing and affordable
housing with excellent urban design outcomes." However, the annual reports do not formally report on sustainability issues. Therefore, it is difficult to ascertain if the targets have been met or, in fact, if sustainability targets have been set. A summary of some non-financial performance outputs, compiled from data available throughout Alpha’s annual reports is presented in Table 5.2.
<table>
<thead>
<tr>
<th>TABLE 5.2 ALPHA’S NON-FINANCIAL ACHIEVEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2005</strong></td>
</tr>
<tr>
<td>Urban communities</td>
</tr>
<tr>
<td>Regional development</td>
</tr>
<tr>
<td>Transit cities</td>
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<tr>
<td>New Business ventures</td>
</tr>
<tr>
<td>Residential</td>
</tr>
<tr>
<td>Non residential</td>
</tr>
<tr>
<td>Urban art</td>
</tr>
<tr>
<td>Housing affordability</td>
</tr>
<tr>
<td>Affordable rental initiative</td>
</tr>
<tr>
<td>Development</td>
</tr>
<tr>
<td>Awards</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Major projects</td>
</tr>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>
When reviewing the outputs reported above, the focus appears to be on the awards that Alpha has received. The environmental focus seems to have lessened from 2005. Development was a heavy focus in 2009. Residential properties were settled in 2006, 2007 and 2008 but none in 2009. Urban communities settled 3134 lots since 2005. Housing affordability was reported in 2007, but it was not reported prior to 2007 and has not been reported since 2007. This could indicate a change of focus in the organisation. An affordable rental initiative was commenced in 2008 and could be an explanation for a change in strategy for Alpha, from provision of affordable housing to affordable rental initiatives (see Section 1.2). Thirteen transit cities have been identified and some are now under construction.

While the targets for Alpha’s business objective are not available to the public, it is assumed that targets have been set. Without clear targets, the diagnostic management control system is unlikely to be particularly useful to Alpha’s management. It is difficult for employees to be motivated to align their behaviour with organisational objectives and targets, if those targets are too broad or not clearly defined. The higher-level learning to which de Haas and Kleingeld

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* The site is not identified as it would reveal Alpha and break the confidentiality agreement between the researcher and the organisation
(1999) refer may result from the interactive management control systems of an organisation and is discussed next.

The results from this research indicate that open dialogue among top managers and the government is now becoming a priority for Alpha, with a focus on building a strong relationship and having an inclusive and transparent process. However, the data indicate that open dialogue is not fully in place yet. A manager explains:

“\textit{The Government’s arrangements for a statutory authority and its board and its corporate planning are the critical interfaces with Government and if Government doesn’t actually actively make those work and instead tries to bypass the corporate plan, bypass the board and use its kind of internal, political kind of you know – political power I suppose, effectively the bureaucracy going to the Minister and complaining about us, they’re not doing enough on X, my policy initiative and then that happens in another place, another place goes – another department goes they’re not doing enough on Y and complain to their Minister, it all becomes a hugely politicised process...So it’s terribly important for an agency like us that we make the – we make a relationship between the board and the Government strong and that we have a very, very inclusive and transparent corporate planning process and you know, I’m not sure that that has always been the case at Alpha}”. (CS41)

The comment from the manager implies awareness of the possibility of improved outcomes through open communication and dialogue. Henri (2006:535) posits that \textit{interactive use (of control systems) has the power to represent a positive trigger that fosters creative and inspirational forces.”} As mentioned earlier (see Section 5.8.1), double-loop or higher-level learning may occur when interactive systems of control are in place. The results suggest that Alpha does focus on innovation and consults outside the organisation with the community (see Section 5.7.1). This finding also suggests that Alpha is committed to improving the situation with government through the corporate planning process. All of these findings combined suggest that an interactive control system is now a priority for Alpha, with Alpha stimulating search and learning through discussions with the community and government. However, the evidence suggests that the data collected from searching need to be used by management in consultation with subordinates to take this system from being a priority to being useful to Alpha’s management in decision-making as
per the characteristics of an interactive system (see Section 2.7.2). Henri (2006) suggests a combination of both systems can add value to an organisation.

"the results suggest a positive influence of dynamic tension created by the use of PMS in a joint diagnostic and interactive fashion on capabilities and performance." (Henri 2006: 534)

5.3.6 Summary of CSOs
The findings suggest that Alpha provides CSOs and that Alpha is not always directly funded for the provision of CSOs. The implications are that transparency is lacking in terms of costs and outcomes achieved. On a positive note, the lack of funding seems to drive innovation. Perhaps it is possible to think beyond the static nature of reporting on an annual basis only. In practice outcomes are provided over the long term. Outcomes could be reported overtime, in terms of what an organisation has achieved on an annual basis, and how far it has progressed towards its final outcome. Another explanation for Alpha’s focus on innovation could be that it is government-owned and that Alpha managers therefore feel protected and willing to invest in innovation, which otherwise can be risky. It is unlikely that the government would allow Alpha to fail financially. Interviews at Alpha indicate that management have to deal with meeting their organisational objectives, even if these objectives are conflicting and even if they are faced with a challenging and complex situation. Therefore, managers need to be aware of who the stakeholders or actors are within the environment in which they operate. This is discussed in the ensuing section.

5.4 STAKEHOLDERS
Alpha was established to carry out objectives as directed by its state government of the day. To gain a better understanding of how Alpha is to achieve these objectives and to whom management will interact with in pursuit of its organisational goals, I have explored Alpha’s external environment in order to determine the coalition of stakeholders. In this section I present Alpha’s stakeholders, as they have emerged from the interviews with a management representative, and I identify the stakeholders’ attributes.
5.4.1 Stakeholder identification and importance

While exploring the environment in which Alpha exists, it is important to identify the stakeholders whom Alpha’s management perceives as important. The way in which these stakeholders are managed by Alpha’s management is also of significance. It is worth noting that the manager’s representative who was interviewed determined the industry players or stakeholders without any prompting from the researcher. The main players in this industry as perceived by Alpha’s management representative are the state government, the private sector, the community and Treasury.

All stakeholders mentioned in the interview data were subsequently recorded in a frequency table. The assumption is that those stakeholders mentioned most frequently are most important to the respondent. The identified stakeholders were then ranked in order of importance. As the list of stakeholders was long, it had to be reduced to make the analysing process more manageable and meaningful. This reduction was achieved by combining stakeholders with similar interests in a single class. Appendix F presents the data and frequency table of stakeholders recorded for Alpha.

As shown in Figure 5.1, respondents from Alpha mentioned the government as their most important stakeholder (45%). The percentage represents the number of times each stakeholder was mentioned as a percentage of total mentions of stakeholders. This finding is consistent with Neville and Mengue’s (2006) prediction (see Section 2.5) that government is predicted to be more important than, for example consumers (in this case the community is considered as a consumer). The private sector was perceived to be the second most important (27%), followed by the community (11%), Treasury (6%), the board and executive (6%) and others (5%). As the focus of this research is on external constituents (stakeholders), the board and executive are not considered, neither is “others” as this is a combination of stakeholders mentioned only once or twice by management and therefore not considered significant.

The stakeholder that emerged from the data, and that had not been mentioned in the literature as significant, was the private sector. As discussed in Section 2.5 no empirical evidence to identify stakeholders in the public sector
environment had been sought previously, so this could explain why the private sector had not been identified as significant. In addition, Alpha’s objectives are intertwined with those of the private sector, in terms of providing new technologies such as six-star energy efficiency ratings, and in terms of competition for affordable housing (CSOs). Treasury emerged as a distinct category from government. The respondents referred to Treasury in a manner which indicated they regarded their relationship with Treasury as completely separate from their relationship with their Minister and with the government. Therefore, these two are treated as two distinct stakeholders with competing interests.

**Figure 5.1 Stakeholder identification – Alpha**

![Stakeholder identification and importance](image)

Source: data collected through the interview process
A probable reason for the heavy focus on Government is that the government owns Alpha. Alpha is dependent on the government for resources and survival. Alpha’s management could feel constrained and stifled by bureaucracy. Abiding with many rules and regulations can be time consuming and could be a possible explanation why Alpha has to focus so heavily on the government, preparing performance reports and following numerous rules and regulations. This could have negative consequences for other stakeholders, as the time left to deal with them is potentially decreased.

While Alpha focuses considerably less on the private sector (27%) than on the government, it focuses significantly more on the private sector than on the community (11%) or on Treasury (6%). A possible explanation for this could be that Alpha may have to depend on the private sector to achieve its organisational outcomes, for example by forming partnerships or joint ventures with private companies. This process can be time consuming in terms of preparing contracts and reviewing tenders.

Alpha’s interest in the community (11%) appears to be diminished by the importance it places on government. Alpha’s focus on the government and the private sector seems to come at the expense of the community.

Alpha has a low focus on Treasury (6%) considering it the least important of its major stakeholders. A possible reason for this low focus is perhaps that interaction between Alpha and Treasury is well established and trust has been developed between the parties. Another possible explanation for this low focus could be that Treasury makes demands under legislation that is necessary for the legitimacy of Alpha. For example Alpha prepares financial statements each year. As this preparation is performed annually, it becomes a ritual and thus potentially becomes a part of the machinery of the organisation and is simply part of normal process. This ritual takes considerably less time for Alpha than dealing with the government, for example when new projects are introduced.

As stated in Section 5.3.1 stakeholders with similar interests are placed into a single class. To determine if the government and the responsible minister are perceived as the same stakeholder, an email requesting confirmation of what
exactly was meant by the different terms was sent to the participant and the following response was received:

„Urban development directly or indirectly impacts on a range of economic, social and environmental policy outcomes. Many of these outcomes are beyond the direct remit of the Minister responsible for Alpha.

Examples of this might include the provision of schools and other community infrastructure and services, which need to be delivered through partnership with other Departments (and therefore Ministers).

If Alpha is a true Sustainable Development Agency, then we are essentially delivering whole of Government policy, not just planning policy (the direct area of responsibility for our current Minister).

Another example would be affordable housing, which is being delivered in partnership with the Office of Housing with the Minister for Housing being the responsible Minister.

So in my interview, when I refer to Government, I am meaning the whole of government in terms of policy outcomes. When I refer to the Minister I am referring to the Minister with overall responsibility for Alpha.” (CS4R1 2010, personal email, 27th May)

5.5 STATE GOVERNMENT AS STAKEHOLDER
The state government is considered Alpha’s most important stakeholder, followed by the private sector, the community and Treasury.

5.5.1 Stakeholder attributes
The stakeholder attributes are analysed according to the Mitchell et al (1997) stakeholder typology model, in order to ascertain if they really have meaning to the organisation. Mitchell et al (1997) hypothesized that if the three attributes of power, legitimacy and urgency are present or are perceived to be present in a stakeholder, then stakeholder salience will be high.

Alpha perceives the government to have three attributes: it has relative power in its ability to impose its will through its ownership of Alpha; it has legitimacy through its established socially acceptable relationship based on Alpha delivering Government policy, and it has urgency as illustrated by Alpha delivering on government demands in a timely manner. A manager summarises Alpha’s relationship with the government in the following comment:
“So I think the organisation today has a much clearer understanding that it is owned by Government, it is expected to deliver Government policy and that the board’s relationship with Government and the corporate plan are the mechanism by which that dialogue is to occur…”(CS41)

The results suggest that the government is a definitive stakeholder, because it has the three attributes of power, legitimacy and urgency. When a stakeholder is considered definitive, “managers have a clear and immediate mandate to attend to and give priority to that stakeholder’s claim” (Mitchell et al 1997:878).

According to Proposition P1a Alpha’s management is expected to enact an overall strategic response to the government more towards the passive conformity end of the strategic response continuum rather than the active resistance end. The predictive factors of strategic response are discussed next and the proposition is empirically tested.

5.5.2 Predictive factors of strategic responses
The predictive factors of Alpha’s strategic response to the state government’s demands are discussed in this section.

5.5.2.1 Cause: legitimacy and social fitness
Innovation, de-risking for the private sector and improved standards for homes and buildings are some examples of “legitimacy” that Alpha has demonstrated on behalf of the government. The organisation demonstrates further examples of legitimacy in its leadership role through its undertakings on behalf of the government in delivering improved outcomes for example the six star energy efficiency in new homes. Initially implemented by Alpha for its new homes, it is now required by all of the states and by the Commonwealth as a national standard for all new homes built by both private and government entities. This is an improved outcome for the community and illustrates the legitimacy of Alpha in its relationship with the government. It should be noted that the private sector resisted this move to an improved efficiency rating, citing a possible collapse of the industry. However, as Alpha had already designed, implemented and demonstrated this innovation in their buildings, it became very difficult for the private sector to argue that it could not be achieved. A manager explains the importance of their role in the industry and thus their legitimacy:
“...you have to be prepared to sort of suggest that there are things in the way that development is done now which are not as good as they could be or should be, and so they then become the objectives for the organisation to do development in a way which shows how it can be done differently and de-risks it for the industry as a whole.” (CS41)

The evidence suggests that Alpha’s management complies with demands from the government thus gaining legitimacy. According to Oliver (1991) compliance is a tactic of “obeying the rules and accepting norms”. The results suggest that managers at Alpha employ a strategic response of acquiescence to demands from the government. Without legitimacy the organisation risks losing its identity because it would be no different from any private developer. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

5.5.2.2 Constituents: dependence

Oliver (1991) predicts that a strategic response of acquiescence and compromise will be high where dependence on external constituents is high. As the government owns Alpha, the assumption is that Alpha is heavily dependent on the Government. Dependence does not necessarily always refer to reliance in terms of financial resources; it could also be in terms of an organisation’s continuing existence. Alpha exists to carry out government directives, which by definition must be legitimate, and this justifies why the organisation exists. If the organisation delivers only outcomes that the private sector already is delivering, there is no reason for Alpha to exist. Alpha perceives that it must deliver outcomes for the government over and above what the market is already delivering. A manager explains:

“...we call it the ‘Why Alpha?’ test which sort of says, Is that a project that justifies us being involved?. What is the outcomes that are over and above the difference in the market that justify why we should do this project?.” (CS41)

Consistent with the assumption noted above Alpha’s management perceives that it is heavily dependent on the Government for survival. As the manager commented: “we are owned by Government”. Ownership implies dependency. The evidence suggests that Alpha’s management is dependent on the government for survival and perceives that it gains legitimacy by complying with demands from the government. The results suggest that Alpha employs a
strategic response of acquiescence in response to demands from the government; the tactic enacted is one of compliance. This is as Oliver (1991) predicts and it concurs with Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).

5.5.2.3 Content: consistency

Oliver (1991) argues that the norms or requirements the organisation is being pressured to conform to can be predicted by examining the consistency between pressures from stakeholders and the organisation’s goals. She predicts that where there is low consistency between demands from stakeholders and organisational goals, the strategic response is anticipated to be more towards the proactive manipulation end of the strategic response continuum than the passive conformity end. The results of this analysis suggest a high consistency between the government’s demands and Alpha’s organisational goals. Under the Act under which Alpha is constituted, some of the functions listed are:

“…to promote best practice in urban and community design and development, having regard to links to transport services and innovations in sustainable development…to contribute to improvements in housing affordability in the State.”

Alpha’s focus in its annual report of 2005 (and ongoing to 2009) demonstrates a consistency between organisational goals and the functions of the Act under which Alpha was set up:

“Commercial sustainable development has once again been the focus …including considerable focus on environment, community wellbeing and affordable housing with excellent urban design outcomes.”

A manager comments on the policy objectives that the organisation’s management perceives must be met. While the comment demonstrates potential difficulty (a separate issue) in meeting all the objectives, it implies that there is high consistency between government demands and organisational goals.

“…the tensions that exist within Government are things like well, which of the policy objectives are the ones that Alpha should be pursuing? Should we be pursuing environmental objectives? Should we be pursuing affordability objectives? Should we be pursuing better urban design and architecture? Should we be pursuing community development objectives and to what extent should we be
The results suggest that Alpha acquiesces to demands from the government. The tactic it employs is one of compliance. This is as expected and concurs with Oliver's (1991) Hypothesis 6 (see Section 3.5.1.3).

5.5.2.4 Control: legal coercion

Alpha’s management perceives the government to possess the attribute power through its ownership of Alpha. Power implies control and institutional control is imposed on Alpha by the government. In the context of new public management (NPM), which is part of the environment within which Alpha operates, there is a need to employ control mechanisms to ensure that action is consistent with plans and that governance is upheld. This is achieved in many ways, for example through complying with the Act under which the organisation operates. Compliance with the Act requires preparation of the mission statement and corporate plan. The corporate planning process is the critical interface between the government and Alpha’s board. The Act stipulates:

„That Alpha is subject to the general direction and control of the Minister and is subject to any specific direction given to it by the Minister with the approval of the Treasurer."

(Section 9 (1) and (2) of the Act)

A manager confirms that the Minister provides direction for the organisation:

„The Minister can provide direction to the organisation...the Government can assure itself that ... we’re not going off and doing things which are contrary to its policy”. (CS41)

The findings suggest that legal coercion is indeed the means by which demands are placed on Alpha by the government, and as a result Alpha’s management acquiesces to these government demands. This finding concurs with Oliver’s (1991) Hypothesis 7 (see Section 3.5.1.4).

5.5.2.5 Control: voluntary diffusion

Some of Alpha’s employees adhere to professional codes of ethics. This is not a control imposed by government. This type of control indicates voluntary diffusion, a practice spread voluntarily through an organisational field (Oliver 1991). The results from this analysis demonstrate that controls were imposed
by means of legal coercion and also voluntary diffusion. These controls seem to be accepted by Alpha”s management and there is no evidence to suggest a response of defiance to the demands of the government in terms of control. The results suggest that a strategic response of acquiescence is employed with rules obeyed and norms accepted, an indication of a tactic of compliance (Oliver 1991). This result was as predicted by Oliver (1991) and concurs with her Hypothesis 8 (see Section 3.5.1.4).

5.5.3 Summary of findings of the state government as stakeholder

The government is judged from the analysis to be Alpha”s most important stakeholder. The government”s relationship with Alpha is perceived to be legitimate, it is perceived to have power and its claims are considered urgent, defining the government as a definitive stakeholder.

Alpha”s management gains legitimacy through meeting the government”s demands. Alpha depends on the government for survival, and the findings suggest a high consistency between the government demands and Alpha”s organisational goal”s. The control imposed by the government is legal coercion and the findings suggest that Alpha complies with the controls imposed. The results collectively suggest a strategic response of acquiescence and a tactic of compliance.

The findings suggest that the overall strategic response of Alpha”s management in response to demands from the government as a definitive stakeholder is towards the passive conformity end of the strategic response continuum rather than the active resistance end. This finding concurs with Proposition P1a.

5.6 PRIVATE SECTOR AS STAKEHOLDER

The private sector is perceived by Alpha”s management to be the second most important stakeholder after the government. This is a significant finding, as the private sector is not mentioned in prior literature as a major stakeholder for government organisations. The private sector as a stakeholder is more important than the community and Treasury. In contrast to Alpha, the private sector does not have CSOs, but is in competition with Alpha in some areas.
5.6.1 Stakeholder attributes
The evidence gathered in this research suggests that Alpha’s management considers the private sector to have power and legitimacy. A stakeholder with the attributes of power and legitimacy is categorised as a dominant stakeholder according to the Mitchell et al (1997) model. Mitchell et al (1997) predict stakeholder salience to be moderate where two of the three attributes are present. The evidence suggests that the private sector has symbolic power (see Section 3.5.1) commanding the attention of the news media. For example, a major newspaper in Alpha’s local area reported the prices Alpha is listing properties for sale at has “done nothing to show the Government is ensuring housing is affordable”. This type of media attention questions the legitimacy of Alpha. Also, this industry contributes significantly to GDP (5.8% in 2005-07) (Australian Bureau of Statistics, 2008) and employs a substantial proportion of the Australian labour force (9% in May 2007) (ABS, 2008), an indication of the economic power the private sector possesses. The private sector is at times in a legitimate relationship with Alpha, when partnerships or joint ventures are formed to carry out projects. Claims by the private sector are acted upon but evidence suggests that they are not acted upon in an urgent manner. For example there was no urgent media release in response to the claims from the private sector of Alpha not meeting its affordability objectives.

5.6.2 Predictive factors of strategic responses
The predictive factors of Alpha’s strategic response to the private sector’s demands are discussed in this section.

5.6.2.1 Cause - legitimacy and social fitness
It is likely that Alpha would want to obtain resources and gain approval from the private sector. Alpha gains legitimacy by meeting its organisational objectives, for example innovation and sustainability, which are achieved by partnering with the private sector. Alpha demonstrates its commitment to generate opportunities for the private sector: “Alpha continued to create opportunities for private and public entities to share in the delivery of sustainability developments…” (Alpha, Annual Report 2008:17)
Partnerships are formed and objectives met through a joint effort. Alpha gives an account of the importance of its relationship with the private sector in one of its annual reports: “Partnerships are central to the successful delivery of Alpha’s sustainable development objectives.” (Alpha, Annual Report 2007:20). While partnerships with the private sector and opportunities for the private sector enhance Alpha’s legitimacy, Alpha also demonstrates awareness for concerns the private sector may have in dealing with Alpha for example on competitive neutrality grounds.

Pressure from the private sector influenced the enactment of the National Competition Policy (NCP), which was established following the Hilmer Inquiry (1993). The section of the NCP that specifically applies to Alpha is the competitive neutrality element, set up to deal with government entities competing with private business. However, as perceived by management at Alpha, the private sector continues to maintain that Alpha has competitive advantages over them and thus the private sector contests Alpha’s legitimacy. A manager comments:

“… but the private sector will still maintain unfair competition, blah, blah, blah…despite what they think Alpha does not have competitive advantages compared to the private sector… it’s competitively neutral and that’s what competition policy says.” (CS41)

A Treasury representative confirms the introduction of the competitive neutrality policy and its purpose.

“We have a competitive neutrality policy whereby any government business that’s in competition with the private sector has to take into account and calculate to make equivalent payments to Treasury for the cost of tax and other obligations that if they were a commercial entity they’d have to pay, so that they’re not unfairly undercutting because they’re exempt from certain taxes.” (GD1)

The NCP was introduced in order to level the playing fields between the corporatised government sector and the private sector, where they compete against one another. However, others have identified further benefits. In 2005, the Productivity Commission commented on the significant contribution NCP has made to the community.
National Competition Policy (NCP) has delivered substantial benefits to the Australian community which, overall, have greatly outweighed the costs” (National Competition Council 2010)

While the private sector continues to complain in the press and to the entity, it has an opportunity to make a formal complaint to the Australian Government Competitive Neutrality Complaint Office (AGCNCO). The investigation reports submitted to the AGCNCO since 2000 have been analysed for this research and show that no formal complaints have been received from the private sector. This could indicate that the private sector had no grounds to submit a formal complaint. It could also indicate that because the private sector was persuaded to form partnerships with Alpha and in doing so demonstrated support for Alpha’s projects, its opposition was neutralised. This type of tactic is referred to as co-opting according to Oliver (1991). This way of implementing a strategic response is suggested by Oliver (1991) to be a strategic response of manipulation. So while dealings with the private sector result in legitimacy gains for Alpha, the action Alpha takes in dealing with them is one of manipulation. This finding refutes Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1). This finding is consistent with Proposition P2b.

5.6.2.2 Constituents: dependence
The level of dependency on the stakeholder can impact on the strategic response of management to that stakeholder (Oliver 1991). Annual reports and other documents relating to Alpha as well as interview data were analysed to ascertain if Alpha engaged in arrangements with businesses in the private sector to deliver on government policies. The evidence suggests that Alpha does engage with the private sector to meet its objectives. The following details are reported.

“… We executed new development agreements with developers within each part of Alpha’s business, during the year…our residential communities are delivered through partnerships with builders…” (Alpha, Alpha Annual Report 2007)

The comment above suggests that the residential communities might not have been delivered without the help of the private sector. This implies that Alpha is dependent on the private sector to meet its objectives. However, a number of players exist within the private sector and it would be highly unlikely that all
private sector entities would refuse to work with Alpha. Therefore, dependency
on individual private companies is low and, the overall dependency on the
sector is low.

Further results from this research indicate that relationships with the private
sector provide access to resources and assets outside Alpha. This indicates
that Alpha is aware of its limitations and of its dependency on providers from the
private sector. However, it also indicates that Alpha’s management considers
itself as a leader in the industry, referring to its status as ‘preferred partner.’ This
would imply that Alpha perceives itself as a company with which others would
wish to partner.

„Partnerships are an opportunity to leverage Alpha’s skills and share
our expertise with private and public sector organisations. They also
provide access to relationships, resources and assets beyond those
existing within the organisation. Alpha’s reputation and capabilities
make it a preferred partner for projects of both local and state
significance.” (Alpha’s, Annual Report 2005)

The findings show that Alpha recognises partnerships with the private sector as
a necessity, but it also sees them as an opportunity to demonstrate the superior
expertise that Alpha can bring to the private sector. These results suggest that
the strategic response employed is one of manipulation through the tactic of
co-opting or of „importing influential constituents” (Oliver 1991:152). Alpha
achieves this by bringing the stakeholder (the private sector) on board and by
forming partnerships with it. The results of this study are consistent with Oliver’s
(1991) Hypothesis 4 (see Section 3.5.1.2)

5.6.2.3 Content: consistency
Alpha’s management suggests that the private sector and Alpha have low
consistency in terms of organisational goals. Oliver (1991) predicts a strategic
response towards the proactive manipulation end of the strategic response
continuum where such low consistency exists. Alpha’s management perceives
that the private sector’s focus is on high capital returns rather than innovation
and that it is unlikely to attempt to improve housing standards without
government intervention. For private enterprises this is acceptable, as their
priority is to maximise shareholder wealth. Alpha’s objectives are expected to
be broader, it has social as well as economic targets and focuses on „delivering liveable places that are compact, sustainable, and affordable today and into the future” (Alpha, Annual Report, 2009). Alpha aims to improve industry standards and thus demonstrate leadership in the industry. A manager explains:

„... marketing theorists and the economists would have you believe that capital flows to the locations where the greatest potential returns are, but the reality is that capital won’t flow to areas of innovation whilst very good returns can still be made from doing it the same old way that it’s always been done and so Government needs to intervene in order to cause the conditions necessary for the industry to move.” (CS41)

This research suggests that the perception of management at Alpha is that the private sector resists Alpha’s intervention in the market. At times the sector, through its peak bodies, complains to the government. This indicates a lack of goal congruence and thus consistency. A manager explains:

„... private sector knows that if we are out and about doing stuff they should expect or can expect the standards to be raised and so they’d be quite happy to get rid of us and the Property Council and the Housing Industry Association and the Urban Development Institute of Australia from time to time have explicitly or sometimes implicitly sought to say to Government Alpha is competing with the private sector, this is a bad thing and you have to say, well actually surely competition is a good thing and despite what they think Alpha does not have competitive advantages compared to the private sector”. (CS41)

These results suggest that Alpha is controlling the private sector through intervention in the market. This tactic of control through intervention suggests that Alpha is trying to re-create the current environment by raising the standards that the private sector is currently willing to accept. Controlling is suggested by Oliver (1991) to result in a strategic response of manipulation and is evident in Alpha’s dealings with the private sector. This finding concurs with Oliver’s (1991) Hypothesis 6 (see Section 3.5.1.3).

5.6.3 Summary of findings of the private sector as an Alpha stakeholder
The private sector is Alpha’s second most important stakeholder after the government (see Figure 5.1). The private sector’s relationship with Alpha is legitimate and has symbolic power. However, the private sector’s claims are
not considered **urgent**. The private sector is therefore determined to be a **dominant** stakeholder.

Manipulation is a purposeful and opportunistic attempt to influence or control institutional pressures (Oliver 1991). **Legitimacy** gains are attained through partnerships with the private sector. The results indicate **low consistency** between the private sector and Alpha’s organisational goals. The private sector’s focus is on profitability and increasing shareholder wealth, but Alpha is more focused on the wider community and on social as well as economic benefits. The results suggest that Alpha depends on the private sector for completion of projects but overall this is a **low dependency**. All of these factors together suggest collectively a strategic response of **manipulation** and a tactic of **co-opting** by Alpha over the private sector. While manipulation often conjures up negative images, the manipulation evident here appears to have been done with positive outcomes, for example with higher standards for the community in mind. Oliver (1991) theorised that manipulation was the most active strategy in that it was an attempt to change either the content of the pressures or the institutional sources themselves. However, from Alpha’s perspective, this strategy seems to represent an attempt to meet the demands from the government through the manipulation of another stakeholder in a productive manner. This result agrees with findings by Clemens and Douglas (2005) that indicates that manipulation could be an attempt to participate in a productive manner (see Section 2.6.5). This finding is consistent with **Proposition P2b**.

### 5.7 TREASURY AS STAKEHOLDER

Management at Alpha perceives Treasury as less important than the government, the private sector and the community. Treasury is perceived as their least important stakeholder. This is based on the assumption stated earlier that those stakeholders mentioned most frequently are the most important.

#### 5.7.1 Stakeholder attributes

Despite this suggested lack of importance, the attributes Treasury possesses include power, legitimacy and urgency and it is therefore classified as a **definitive** stakeholder. As the custodian of government financial resources
Treasury has the **power** to influence Alpha. Treasury has a **legitimate** relationship with the organisation based on legislation. From the Act it is noted that „*The Authority is subject to any specific direction given to it by the Minister with the approval of the Treasurer.*“ A Treasury representative confirms this legitimacy through direction by the Minister:

„...in most cases there'll be something in the legislation that establishes government businesses that says the Minister can give them direction“(GD1)

The adoption of performance measurement systems (PMS) that are dictated by Treasury provides legitimacy to Alpha. Treasury”s claims are responded to **urgently**. For example, financial statements are prepared in a timely manner for approval by Treasury before submission to the parliament. Given that Treasury is perceived as a definitive stakeholder, just as the government, it is expected that Alpha”s strategic response to Treasury demands will also be one of **acquiescence**.

### 5.7.2 Predictive factors of strategic responses

The predictive factors of Alpha”s strategic response to Treasury demands are discussed in this section.

#### 5.7.2.1 Cause: legitimacy and social fitness

To determine if Alpha gains legitimacy (see Section 5.4.2.1) by dealing with Treasury, I have assessed interviews and other qualitative data, including government documents and Alpha”s annual reports. The findings from the analysis of these data indicate that Alpha”s management indeed gains legitimacy by complying with Treasury demands, for example in the preparation of financial statements. These statements are prepared annually and submitted to Treasury for sign-off. A manager comments:

„...so the Treasurer has to sign off on our annual reports...“(CS41)

The preparation of financial statements and the availability of these documents to the public demonstrates transparency and accountability in terms of how Alpha”s financial resources are used. This transparency of financial data and thus accountability of management to Treasury legitimises Alpha in terms of perceived economic accountability and is expected by society. Treasury”s
demands in terms of Alpha meeting its expectations are acceptable to Alpha”s management. They perceive it to be a „fit” with their operations, as they are required by legislation to act commercially. The strategic response that Alpha employs in dealing with Treasury in order to gain legitimacy, is one of acquiescence. The tactic of compliance with reporting requirements is enacted. Oliver (1991:152) defines compliance as „conscious obedience to or incorporation of values, norms, or institutional requirements”. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

5.7.2.2 Constituents: dependence

I have examined Alpha”s financial statements in order to determine how reliant the organisation is on funding from Treasury. Over the five years analysed, the operating grants it has received from Treasury are as shown in Table 5.3. The majority of Alpha”s revenue comes from outside Treasury.

**TABLE 5.3: SUMMARY OF REVENUE RECEIVED FROM THE STATE GOVERNMENT AMOUNTS IN $’000**

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>State government grants</td>
<td>2,430</td>
<td>9,000</td>
<td>28,012</td>
<td>50,210</td>
<td>39,050</td>
</tr>
<tr>
<td>Other revenue</td>
<td>189,283</td>
<td>180,811</td>
<td>181,835</td>
<td>197,358</td>
<td>90,754</td>
</tr>
<tr>
<td>Total</td>
<td>191,713</td>
<td>189,811</td>
<td>209,848</td>
<td>247,558</td>
<td>129,804</td>
</tr>
<tr>
<td>% State government</td>
<td>1.27</td>
<td>4.75</td>
<td>13.35</td>
<td>20.28</td>
<td>30.08</td>
</tr>
<tr>
<td>% Other</td>
<td>98.73</td>
<td>95.25</td>
<td>85.55</td>
<td>79.72</td>
<td>59.92</td>
</tr>
</tbody>
</table>

Source: data collected from Alpha’s cash flows from operating activities.

The ratio of government to non-government revenues for use in the provision of products and services by Alpha to the community indicate that dependency on Treasury has increased over the years 2005-09. However, the majority of revenue is generated from outside the government. This indicates a low dependency on Treasury and that significantly, Treasury is not the major provider of funding. Even though financial dependency on Treasury is low, Alpha complies with demands for preparation of financial reports by „obeying rules and accepting norms” Oliver (1991:152) and acquiesces to these
requirements by Treasury. This result refutes Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).

5.7.2.3 Content: consistency

Oliver (1991:165) suggests that “defiance and manipulation strategies are predicted to occur most frequently when consistency is low.” The perception of management at Alpha is that from time to time Treasury asks the organisation to do something other than what the legislation dictates. This indicates at times low consistency between demands from Treasury and what Alpha’s management perceives its organisational goals to be under legislation. Alpha’s response to these inconsistencies is to challenge Treasury in order to achieve what they perceive to be the requirements of the most important stakeholder, the government. A manager explains:

„See you’d have to go back to the legislation to understand why the organisation was set up and we have to hold the legislation up back to Treasury and say well actually, this is what it says. It says in here, assist the Government with the delivery of urban planning – urban policy. That’s what we’re here to do. That’s what the Parliament said”. (CS41)

There is further suggestion that the demands from Treasury are conflicting with the organisation’s goals as perceived by management, and Alpha’s management will defy Treasury when necessary. A manager explains:

„… and if the bureaucracy and the Treasury thinks that’s the right way to do it, then that’s another extreme tension in the business cause Treasury is basically saying, your job is to make as much money as possible, we want you to cut costs as much as possible, we don’t particularly care about these other outcomes (as demanded by Government). Why should you do anything more than the industry standard here and of course once you get to that point, you loose the rationale for why the organisation exists in the first place.” (CS41)

Furthermore, a Treasury representative emphasised and reiterated this point, finding that Alpha had been very focused on making money (he refers to approximately 10 years ago). The representative comments:

„…if you read the Act, it (Alpha) was set up to facilitate greater access to housing for people of modest means…but if you read their annual report they were boasting how proud they were of the average very high prices they got for their…and what a great
commercial result this was, which seems to be in conflict with their stated objective...it struck me as incongruous at the time.' (GD1)

The analysis suggests that this is an organisation whose management is not afraid to stand up to a definitive stakeholder. A manager made the following comment:

„Don’t try and distort the business to your ends contrary to what the law of the land says because you are actually then undermining the democratic process by which Government rules...” (CS41)

The results from this research indicate low consistency between Treasury’s demands (in some cases) and Alpha’s organisational goals. The strategic response is defiance enacted by the tactic challenge that is „contesting rules and requirements” Oliver (1991:152)). This finding is consistent with Oliver’s (1991) Hypothesis 5 (see Section 3.5.1.3).

5.7.2.4 Control: legal coercion

Alpha prepares financial statements on an annual basis. The preparation of these statements is in accordance with the Financial Management Act, which is part of Alpha’s legal framework. The Treasurer signs off the annual financial reports. The Auditor-Generals office audits these statements. Despite the power of sign-off Treasury is perceived by Alpha’s management to have a low level of control. A manager made the following comment on control and funding:

„…so Departments traditionally keep some level of control over an organisation like the EPA or whatever because they fund them and the person who controls the funding...But a beast like this, they don’t control the funding... So they feel very, very threatened by that” (CS41)

Thus, the means by which Treasury imposes control on Alpha is through legal coercion, the legislation under which financial statements are prepared. This control impacts on what the public perceives as the economic fitness of both Alpha and Treasury. Alpha’s management complies with demands to prepare these reports due to its legal obligations. The results suggest that Alpha complies with the requests from Treasury even though control is perceived to be low. The strategic response is one of acquiescence. This result is consistent with Oliver’s (1991) Hypothesis 7 (see Section 3.5.1.4).
5.7.3 Summary of findings of Treasury as stakeholder

Treasury is perceived by Alpha’s management to be its least important stakeholder. Treasury’s relationship with Alpha is legitimate, Treasury is perceived to have power and Treasury’s demands are considered urgent, confirming Treasury’s status as a definitive stakeholder.

Determining the strategic response of Alpha’s management to pressure from a definitive stakeholder like Treasury involves analysis of the collective effect of Oliver’s (1991) predictive factors. As expected, Alpha, as a government-owned entity, has an established relationship with Treasury. This relationship gives legitimacy to Alpha. Treasury signs off on the organisation’s financial statements and corporate plan process. A strategic response of acquiescence is expected when legitimacy is gained and is also the result that the analysis indicates. The results suggest that at times there is low consistency between the demands of Treasury and the objectives of Alpha’s management. Where low consistency is found a strategic response towards the active manipulation end of the continuum is expected and is what the results of this study suggest.

There is evidence of low dependency on Treasury in terms of financial resources to support the organisation, as the majority of revenue is generated from outside Treasury. The control imposed by Treasury is through legal coercion and the findings suggest that Alpha complies with the demands of Treasury, which Alpha’s management perceives as appropriate.

The response of acquiescence is confined to demands required by legislation, such as submitting annual financial reports. The perceived legitimacy gains from acquiescing to Treasury (a definitive stakeholder) appear to be outweighed by low dependency on financial resources. This could indicate that legitimacy is considered more influential than dependency as a predictor of strategic response. The findings suggest that the overall strategic response of Alpha’s management in response to demands from Treasury as a definitive stakeholder is acquiescence enacted through the tactic of compliance. This finding is consistent with Proposition P1a.
5.8 COMMUNITY AS STAKEHOLDER

The community is perceived by Alpha’s management to be less important than the government and the private sector but more important than Treasury. The community has been mentioned as a key stakeholder in past literature on public sector organisations.

5.8.1 Stakeholder attributes

The evidence emerging from case Alpha is that management perceives the community to be a dominant stakeholder. A dominant stakeholder has two attributes and is thus expected to have lower salience than a definitive stakeholder. The community is the recipient of the products provided by Alpha, and without the community there would be no reason for Alpha to exist, indicating the power the community possesses. The community also possesses the attribute legitimacy its relationship with Alpha is socially acceptable.

Analysis of the data suggests that Alpha’s management is in an active relationship with the community with, for example, a focus on sustainable communities, innovative products and improved standards across the property development industry. Alpha also consults with the community on projects. Alpha’s 2006 Annual Report states:

„D (Alpha’s partner in the project) undertook a six month community consultation process to contribute to a shared vision that will guide the revitalisation of D...”(Alpha, Alpha annual report 2006)

Further findings suggest that Alpha continues to focus on its customers and demonstrates the implementation of a Customer Relationship Management (CRM) system. In the 2008 Annual Report management comments:

„We implemented our new CRM system in September 2007 to improve our knowledge of our customers and our ability to meet their needs and to improve sales processes and performance.”

It appears that management is aware that while individual members of the community have little power to influence, they could gain power by forming a group and lobbying the government for changes to the outcomes currently provided by Alpha. Power can be gained as well as lost (Mitchell et al 1997). While the community could theoretically gain power, in the current climate of the property market in Australia, where demand for housing is considerably higher
than the market supplies, the community has however little to no power. The findings suggest that the community is a dominant stakeholder and possesses the attributes legitimacy and power.

5.8.2 Predictive factors of strategic responses
The predictive factors of Alpha’s strategic response to the community’s demands are discussed in this section.

5.8.2.1 Cause: legitimacy and social fitness
The findings suggest that the community places no direct demands on Alpha. However, there is evidence to suggest that management at Alpha is thinking about the community by engaging them in a consultative process for a new development (see Section 5.7.1). One possible reason for this consultation with the community is to enhance Alpha’s legitimacy. There is no evidence to suggest that the contribution from the community is rejected in this consultation process, which suggests that acquiescence is the strategic response employed in this case. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

5.8.3 Summary of findings of the community as stakeholder
Alpha’s management perceives the community to be a dominant stakeholder. The findings for this study suggest that Alpha acquiesces to the demands of the community when Alpha finds it expedient to do so. No conclusion can be drawn about other demands which may be contrary to Alpha’s objectives.

5.9 DISCUSSION OF THE CONCEPTUAL MODEL AROUND CASE ALPHA
This chapter has described the operating environment of Alpha and has determined that Alpha provides CSOs as per the Productivity Commission’s definition of a CSO, defined in Section 1.1, and also as per the characteristics presented in Table 2.2. The MCS style in use at Alpha is a diagnostic system: management is aware of the advantages of an interactive system and is currently striving to implement this control system too. The stakeholders with whom management at Alpha interacts have been identified and have been ranked in order of importance: from the government as most important, to the
private sector, the community and, finally, Treasury. The private sector has not previously been identified as a significant stakeholder in the literature. This could be explained by the fact that government-owned corporatised entities that at times compete with the private sector and at times join forces with the private sector to meet organisational objectives are a fairly recent phenomenon.

The number of attributes a stakeholder possesses is an indicator of the likelihood an organisation will take notice of that stakeholder. The government, ranked as most important stakeholder is deemed to be a definitive stakeholder, possessing power, legitimacy and urgency. The private sector, ranked second most important, is deemed to be a dominant stakeholder, possessing power and legitimacy but not urgency. Furthermore, the power that the private sector holds is not the same as the one the government possesses. It is considered symbolic only, whereas the government’s power is considered coercive. The findings from case Alpha suggest that the type of power (coercive or symbolic) is significant in determining management’s reaction to demands from a stakeholder. The community, ranked third in importance, is deemed to be a dominant stakeholder, possessing power and legitimacy but not urgency. Although Treasury is ranked the least important stakeholder by management at Alpha, it is still considered to be a definitive stakeholder, possessing power, legitimacy and urgency. This finding suggests that there may be another attribute or factor that influences management’s response and that is not presented in the Mitchell et al (1997) model. However, the predictive factors of strategic response put forward by Oliver (1991) may help reveal further factors that influence management’s decision-making in response to stakeholder types.

The findings on the state government are consistent with Oliver’s (1991) Hypotheses 1, 4, 6, 7 and 8 and suggest than the overall response of management to demands from the state government is acquiescence. This finding is also consistent with Proposition P1a, P2a and P3a.

The findings on the private sector as a stakeholder are consistent with Oliver’s (1991) Hypothesis 4 and 6 but they refute Hypothesis 1. Even though Alpha gains legitimacy in dealing with the private sector, the strategic response enacted by management is one of manipulation. A possible explanation is that it
is likely that, if Alpha were to acquiesce to all demands from the private sector, they would not be able to achieve their organisational objectives. By bringing the private sector on board for some projects Alpha enhances its legitimacy and is at the same time likely to neutralise the private sector’s opposition, as it is seen to support the operations of Alpha as a partner. The overall strategic response to demands from the private sector by management is one of manipulation. This finding has not previously been identified in the literature. The private sector as a stakeholder has not been identified before and therefore the strategic response enacted could not be identified either. This finding is consistent with proposition P2b.

The findings from the community as a stakeholder are consistent with Oliver’s (1991) Hypothesis 1. There were no substantial findings to test the other hypotheses.

The findings from Treasury as a stakeholder were consistent with Oliver’s (1991) Hypothesis 1, 5 and 7, but they refute Oliver’s (1991) Hypothesis 4. A possible explanation for this is that even though dependency on Treasury is considered low, the legitimacy gained from complying with demands from Treasury is high. This finding could indicate that a hierarchy of predictive factors exists, that is that perhaps legitimacy is more important to Alpha than dependency as a predictive factor of strategic response. The overall strategic response to Treasury from management is acquiescence. This finding is consistent with proposition P1a.

5.10 SUMMARY
This chapter has presented the findings from the analysis of data collected pertinent to case Alpha. All data were analysed through the conceptual framework. Chapter 11 discusses case Alpha further in a cross-case analysis of the four cases. Chapter 6 presents the findings from case Beta.
CHAPTER 6 ANALYSIS OF BETA

6.1 INTRODUCTION
This chapter presents the findings from the analysis of the case Beta in terms of stakeholder identification, stakeholder attributes and the strategic responses of Beta's management to stakeholder demands. I will describe the way in which Beta deals with community service obligations (CSOs) in practice. This study also explores the style of management control system (MCS) that is used by Beta's management. The chapter structure developed in Chapter 5 is retained in this chapter and in the remaining two analysis chapters, Chapter 7 and 8.

This chapter begins with an overview of Beta. Then, all components of the theoretical framework are discussed in detail. Firstly, Beta’s stakeholders are identified, followed by an analysis of the attributes of these stakeholders using the Mitchell et al (1997) model. Secondly, the influence of the identified stakeholder attributes is analysed in conjunction with Oliver's (1991) predictive factors of strategic response.

The findings in this chapter are presented according to the approach to analysis outlined in Chapter 4. No substantive contradictory evidence has been omitted from the discussions.

6.2 OVERVIEW OF BETA
According to Beta’s website Beta has encountered many changes since its foundation as the Land Commission in 1975. Beta was set up to offer affordable housing on the city fringe. In the mid 1980s Beta joined forces with the Housing Commission but they went their separate ways again in 1993. Beta’s growing interest in commercial property next led to a merger with its state’s Property Services Group, but Beta’s further evolution saw this merger end in 1995. In 2002, Beta became a state-owned corporation and a development arm of its state government. Today, Beta is a leading master planner, facilitator and developer of sustainable communities in its state. According to its Corporation Act, Beta has two functions conferred on it:

- To undertake and participate in residential, commercial, industrial and mixed development projects, and
To provide advice and services related to urban development, on a commercial basis, to government agencies and others.

6.2.1 Reports
Beta reports to the Minister.

6.2.2 Board and executive
According to the state Act, the organisation is required to have a board of directors. The board has to consist of seven directors appointed by the state governor on the recommendation of the voting shareholders\textsuperscript{7}. The chief executive officer (CEO) of the corporation is to be appointed by the board after consultation with the voting shareholders and the Minister.

6.2.3 Planning tools
A statement of priorities is to be provided by the Minister. This statement specifies, with respect to any financial year, the urban management priorities for Beta and its subsidiaries, expressed in broad terms, the projects and activities to be undertaken, and or outcomes to be achieved by Beta. Beta is required to prepare a statement of corporate intent and to attach the statement of priorities to the completed statement of corporate intent when it is laid before each House of Parliament.

6.2.4 Control - performance reporting
The Minister will from time to time adopt environmental reporting indicators, including environmental and sustainable development indicators, for use by Beta. These indicators must include a methodology for Beta to compare to international best practice in environmentally sustainable residential, commercial and industrial development. Beta must monitor its activities against these environmental reporting indicators, must compile data on those indicators and must publish an annual report that sets out the results of this monitoring.

\textsuperscript{7} Voting shareholders means, according to the State Owned Corporation Act, the Treasurer and another Minister for the time being nominated by the Premier as a voting shareholder of the SOC. The Premier can be nominated as a voting shareholder.
Beta also prepares annual financial reports for presentation to the Minister and Parliament.

6.3 COMMUNITY SERVICE OBLIGATIONS (CSOs)
This section reviews and discusses the way in which Beta deals with CSOs in practice.

6.3.1 Definition and Characteristics
Beta’s state government elected not to adopt the recommended definition of a CSO as it was put forward by the Productivity Commission. Beta’s state government proposes that in order to be approved as a CSO an activity must satisfy the following criteria:

- that it is not pursued by a government trading enterprise (GTE) operating on a purely commercial basis,
- that it has a specified social objective;
- that there is an explicit government directive to the GTE that the activity should be pursued, and
- that funding comes from the budget, or that internal funding over the transitional period has been approved by the Treasurer (Beta’s Government, 1994)

Beta’s management does not mention any examples of CSOs, yet Beta delivers affordable houses and must always have land available to the market. Also, it cannot put just any price it wishes on a property, “…we can not be the market leader in price because of the political environment.” (CS21) These factors, when considered against the characteristics of a CSO (see Table 2.2), would make providing affordable housing one of Beta’s CSOs, according to the Productivity Commission definition. It is likely that if Beta were a private company, it would choose not to limit the price of its houses in a market as overheated as the Australian property market of today. A manager makes the following comment on CSOs:

“…There’s a definition for us, its actually saying you have to have a direction from government to do something. The technical is they give you direction to do it, you say that’s not commercial, then you
A manager comments on how Treasury likes to have CSOs and also on the difficulty of measuring the cost of a CSO:

“...It's a really difficult one because technically that’s what Treasury love to have so they can see everything... but the cost of measuring, especially if – its like that 10%, 20% difference if you like, how do you measure that in real terms?. You could actually kill yourself trying to do it.” (CS21)

6.3.2 Funding
Beta operates on commercial principles - “...we’re meant to make money” (CS21) - and is not directly funded for the provision of non-commercial projects. Beta heavily focuses on producing end products that will be efficient, and also on ensuring the most efficient use of land, a scarce resource. The efficient use of resources is a focus at Beta. A manager comments:

“...Our target has always been 7.5% of moderate income housing. Difficult to achieve depending on what interest rates are. This year we’ll do better than last year but really it’s about saying: well, what’s the most efficient use of land and efficient use of house with all the sustainability bits in it still and what can we get it on the market for...” (CS21)

The fact that Beta is not directly funded for non-commercial projects could be an explanation for their focus on efficiency. They are also heavily focused on meeting their sustainability criteria, in other words on being innovative. A manager explains:

“...So it starts from the actual design principles. We start there, and therefore putting a house that's efficient on the basics means that it is actually meeting those sustainability criteria, almost automatically so speak.” (CS21)

6.3.3 Transparency
The cost of CSOs is not reported and as mentioned earlier in this thesis (see Section 2.4.3), this could impact negatively on future planning and accurate budgeting for CSOs. However, if Beta is driven to be more efficient as a consequence of not being directly funded, should less transparency be an
acceptable trade-off for more efficient operations. Perhaps reduced transparency (and in practice the reality) could potentially result in better use of the taxpayer’s money, in improved sustainable products in the marketplace, and in lifting industry standards to a higher level.

6.3.4 Performance reporting

Beta reports extensively on economic, social and environmental outcomes. Beta’s annual report states: “…most importantly, we operate on a commercial basis as a profitable enterprise, while guided by sound environmental, social and risk management principles.” I have analysed Beta’s annual reports from 2005 to 2009 in order to determine if the objectives of the organisation were met and how the MCSs were used to measure organisational outcomes. Beta is required to act commercially, as a profitable enterprise. The economic indicators that Beta aims to achieve are presented as targets within their annual reports. Table 6.1 presents Beta’s financial results over a five-year period from 2005 through to 2009.

<table>
<thead>
<tr>
<th>TABLE 6.1 BETA’S ECONOMIC PERFORMANCE IN $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Sales Revenue</td>
</tr>
<tr>
<td>Net Profit</td>
</tr>
<tr>
<td>Dividends to government</td>
</tr>
</tbody>
</table>

Source: data collected from Beta’s annual reports

Beta’s revenue remained reasonably steady from 2005 through to 2007. There was a 6.4% increase in revenue from 2007 to 2008 but a significant 20.6% drop in revenue from 2008 to 2009. Profit declined steadily from 2005 to 2009 and as a result dividends to the government declined over the same period. Beta’s chairman made the following comment on their 2009 performance.

“Although Australia escaped the worst of the effects of the global financial crisis, the past year was one of considerable uncertainty and the housing sector was no exception. Despite these troubled economic circumstances, Beta was able to produce a net after tax operating profit of $33.2 million which was marginally better than forecast in our Statement of Corporate Intent” (Beta, Annual Report 2009).
Beta’s management presents Beta’s social and environmental performance in its annual report. The results are provided in a triple bottom line (TBL) format. The report presents indicators, a description of the indicators, the targets and the actual results for the financial year. An example of the types of indicators for social and environmental performance measurement is presented below. The findings suggest that Beta is well respected for its contribution through its reporting. This is also suggested by the fact that Beta was invited (as only one of fifteen companies across the world) to be a participant in meetings with Global Reporting Initiative (GRI) to put together social and environmental measurements for real estate. This is likely to be an unusual request for a government-owned organisation. A manager explains:

“…GRI is a different aspect, its just saying well, what’s happened is still everybody makes up their own indicators for environmental and social… so we’re actually participating and one of my colleagues has now gone to the first two meetings, we’re one of the fifteen around the world. Lend Lease is another Australian firm. Actually Australia is pretty – is up there. So we’re the only two Australian organisations who are participating in putting together this real estate supplement for the world …So it’s trying to set a standard to say well if you’re going to do environmental reporting you must for this type of thing, this is the factor you should use. Its like accounting standards…” (CS21)
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Water conservation</th>
<th>Waste</th>
<th>Energy</th>
<th>Biodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Reduce water consumption</td>
<td>From building construction projects</td>
<td>Reduction in greenhouse gas emissions</td>
<td>Loss of highly significant endangered ecological communities</td>
</tr>
<tr>
<td>Target</td>
<td>40%</td>
<td>95%</td>
<td>40%</td>
<td>No loss</td>
</tr>
<tr>
<td>2005 Actual</td>
<td>43%</td>
<td>92%</td>
<td>16%</td>
<td>14.1 ha cleared, 30.9 ha conserved</td>
</tr>
<tr>
<td>2006 Actual</td>
<td>37%</td>
<td>96%</td>
<td>15%</td>
<td>29.4 ha cleared, 119.1 conserved</td>
</tr>
<tr>
<td>2007 Actual</td>
<td>43%</td>
<td>99%</td>
<td>16%</td>
<td>Nil cleared, nil conserved</td>
</tr>
<tr>
<td>2008 Actual</td>
<td>49%</td>
<td>100%</td>
<td>20%</td>
<td>Nil Cleared, 4.7 ha conserved</td>
</tr>
<tr>
<td>2009 Actual</td>
<td>46%</td>
<td>99%</td>
<td>17%</td>
<td>2.6 ha cleared, 10.1 ha conserved</td>
</tr>
</tbody>
</table>
### TABLE 6.3 BETA’S SOCIAL DEVELOPMENT PERFORMANCE

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Built environment</th>
<th>Community</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Influencing design</td>
<td>Moderate Income Housing</td>
<td>Employee retention</td>
</tr>
<tr>
<td>Projects where Beta influences builders’ product by specifying design criteria</td>
<td>Total yield (lots, house/land packages/dwelling units) delivered</td>
<td>Annual retention rate</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target</th>
<th>No target</th>
<th>7.5%</th>
<th>No target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 Actual</td>
<td>66% (6 out of 7 projects)</td>
<td>12%</td>
<td>92%</td>
</tr>
<tr>
<td>2006 Actual</td>
<td>75% (3 out of 4 projects)</td>
<td>6.2%</td>
<td>90%</td>
</tr>
<tr>
<td>2007 Actual</td>
<td>75% (3 out of 4 projects)</td>
<td>5.1%</td>
<td>66%</td>
</tr>
<tr>
<td>2009 Actual</td>
<td>100% (6 out of 6 projects)</td>
<td>0.7%</td>
<td>93%</td>
</tr>
</tbody>
</table>

### 6.3.5 Management control system – style of use

The reported economic, social and environmental outputs suggest that Beta’s management is keen to satisfy all stakeholders with the style of use of MCSs that it has in place. Beta extends its reporting on its standard economic performance by its attempt to report on social capital. A manager explains:

“…social capital is an intangible asset that is very difficult to quantify. However, Beta sought to put in place the building blocks for its creation and measurement some six years ago.” (Beta, Annual Report 2009)

The findings from the data analysed indicate that Beta’s management uses a diagnostic control system as per the characteristics outlined in Section 2.7.1. Findings from the analysis of Beta’s annual reports, TBL reports and financial statements show that Beta’s management measures its outputs. For example,
with regards to social development in the community, Beta reports on the percentage of moderate income housing and on total yield delivered (lots, house/land packages/dwelling units). Their actual output achieved is recorded against a predetermined target for the financial year. Beta’s management has demonstrated a commitment to ensuring that standards were accurate by conducting a review of all indicators. They have presented their reasons for reviewing the indicators in an annual report.

“We recognized that if Beta was to maintain its position as a sustainability leader, the indicators would have to be revised to ensure they remained relevant to our business practices, continued to respond to stakeholders’ concerns and took account of new challenges and opportunities.” (Beta, Annual Report 2009)

Management indicates that about 20% of the indicators were changed following the review.

“… and what we’ve found now is as life has changed some of those, [indicators] not all, there’s about 20% probably, about 60% will stay the same and those TBL indicators but 20% became – we thought they were a good idea at the time…” (CS21)

The results of this study suggest that Beta’s management uses a diagnostic control system in order to measure actual against targets to meet the stakeholders’ demands. Beta also demonstrates an ability to correct any deviations from preset standards. An organisation that is transparent in its targets and achievements gains legitimacy. This diagnostic MCS indicates a focus on the three objectives of the organisation (financial, social and environmental) with the organisation presenting TBL line reports annually.

Managers at Beta talk of their use of an interactive control system. They are constantly collecting data from outside the standard channels and appear to be on looking out for the next thing, the thing that might add value or make practical improvements. Beta’s managers appear to never be content with the status quo and to constantly strive for future improvements. A manager comments:

“… but you’re always looking forward to say what is the next this. We question ourselves all the time and we go; what’s the next step and I suppose that’s – those two elements of being commercial but its actually if we’re not doing something different to the rest of the
industry in a leadership sort of role if you like. It’s not necessarily setting policy but actually practical improvements and that’s where we think precintx (a new measurement tool) will have practicality improvements to actually how people think about designing and getting things right. So that’s our own internal objective is to do that…”(CS21)

The results provide further evidence that management does not stop when current standards are achieved but is motivated to search further for solutions to problems. A manager explains Beta’s search for a solution to efficiency improvements in whole areas rather than the standard solution, which focused on an individual building or home.

“…When you look at a whole project, there may be more efficient and better ways to save water than necessarily saving it on every house or there may be more efficient ways to use energy or solar collection or all sorts of issues. So what we’ve now developed and in the process, we’ve launched it but – is saying well, for those people who have whole areas like developers or urban renewal areas instead of having necessarily – if you use… the tool we developed to say well, if you do this you’ll save water or you’ll save CO₂ or whatever, versus just doing basics which we can actually design the whole thing better rather than just concentrating on the house because at the moment we only concentrate on the house, not on the urban design, what I was saying before. So it’s about taking in what I call the full life cycle cost of a whole area…”(CS21)

Management also demonstrates an ability to continue searching when a solution is found, realising that even though a solution works in one area it may not necessarily work in all areas. The results suggest a constant searching for solutions and new ideas and an open-minded entrepreneurial approach. A manager comments:

“…It [doing things poorly] doesn’t work, once you do things you realise that a solution here isn’t the same solution so insisting on this type of solution everywhere isn’t the right thing to do whilst it might have been from the supply recycled water system, it may not be the right thing in certain different environments. So I think we become more sophisticated on how we analyse it, I think there’s a whole industry if you like of that stuff, become more sophisticated and become more – less – when you start with a small industry in that area I think it becomes sort of – what’s the word? Philosophical about things, I think it’s become more pragmatic about it and say okay, and I think that’s just time that does that. I think we’ve become more pragmatic with it as well. Ideological is a nice place to start but most of the time – 99% of people don’t have your ideology…”(CS21)
These findings suggest that Beta”s management uses a combination of diagnostic and interactive control systems resulting in a dynamic control system. The diagnostic system is used to measure outputs, compare actuals against set targets and therefore allows Beta to track its performance against set objectives. The interactive system is used to constantly to search for new ways to add value and make practical improvements. The system allows Beta to change strategy and look at different ways to solve problems. This use of a combined control system appears to match the going above and beyond attitude of Beta”s managers as demonstrated in Section 6.4.3 below.

In summary, the analysis of Beta”s interview data and documentation reveals that management uses both a diagnostic and interactive control system to drive the strategy of the organisation.

6.4 STAKEHOLDERS
Beta was established to carry out objectives as directed by the state government of the day. Beta is required to make a profit and to provide social and environmental outcomes to its community. The stakeholders in Beta”s external environment, as identified by its management representative interviewed, have been explored for this study and are presented below. Their attributes have been identified as a result of the analysis of interview transcripts. The next step involves the analysis of the strategic response that management takes to the demands or claims of these stakeholders.

6.4.1 Stakeholder identification and importance
It is important to identify the stakeholders whom Beta”s management perceive as important. The way in which these stakeholders are managed by Beta”s management is also of significance.

The main players in this industry as identified by Beta”s management representative, are the state government, the private sector, the community and Treasury. As shown in Figure 6.1, respondents from Beta made more mention of the private sector, such that the researcher induced that the private sector is the the most important stakeholder (32%). The percentage represents the number of times each stakeholder was mentioned out of the total of mentions of
all stakeholders. The state government is identified as the second most important stakeholder at (25%), followed by the community, (23%). Treasury (6%) was considered the least important of Beta”s stakeholders. As the focus is on external stakeholders the board and executive are not considered in this analysis. Neither is „others” as this is the total of stakeholders mentioned only once or twice and therefore not considered significant. Appendix H presents the frequency table of data of stakeholders recorded for Beta. Figure 6.1 presents Beta”s identified stakeholders.

Figure 6.1: Stakeholder identification – Beta

Beta”s managers consider the government (25%) less important than the private sector (32%), slightly more important than the community (23%) and a lot more
important than Treasury (6%). One explanation for the fact that they consider the government less important could be that the government trusts Beta to get on with the job. Another explanation could be that if Beta has open and constant communication with the government, perhaps less time is spent preparing formal reports as informal reporting or communication provides enough information to the government. Beta has a fairly even focus on the government, the private sector and the community. This could indicate that management considers the demands of these three stakeholders to be as important as one another, not trading one off against another. Beta may need to partner with the private sector to achieve organisational outcomes, so this could explain the heavy dependency on the sector. As the government owns Beta it relies on the government for survival. An explanation for a relatively heavy focus on the community could indicate that Beta is committed to meeting community needs. Compared to its focus on its three main stakeholders Beta has a very low focus on Treasury. An explanation for this could be that Beta does not heavily depend on Treasury for financial support and is funded from outside Treasury. As the relationship between Beta and Treasury is well established, reporting requirements are likely to be well established and possibly require a minimum amount of time for preparation, as they are not likely to change from month to month or year to year. In a sense the relationship with Treasury possibly involves the ritualistic compliance nature of reporting, requiring little creativity and thus less time than perhaps a one-off report for the Minister on their activities or achievements for publication in the press would take. It would be unthinkable for a government organisation, not to respond to demands from Treasury in terms of what legislation dictates, resulting in unspoken acceptance of Treasury as stakeholder.

Following the identification of the stakeholders, the data have been analysed to determine the stakeholders’ attributes. The identification of Beta’s stakeholder attributes according to the Mitchell et al (1997) model are discussed in the following section.
6.5 STATE GOVERNMENT AS STAKEHOLDER

The state government is considered Beta”s second most important stakeholder, followed by the community and Treasury.

6.5.1 Stakeholder attributes

The attributes of the stakeholders are analysed according to the Mitchell et al (1997) stakeholder typology, in order to ascertain if the identified stakeholders really have meaning to the organisation. Mitchell et al (1997) hypothesised that if the three attributes of power, legitimacy and urgency are present, or perceived to be present, in a stakeholder then stakeholder salience will be high. Mitchell et al (1997) define salience as „the degree to which managers give priority to competing stakeholder claims“. The state government as a stakeholder was found to have three attributes. It has relative power through its ownership of Beta. It also has legitimacy as Beta exists to carry out the government”s objectives. A manager explains:

„Our main objective is to deliver whatever the government wants to deliver as the owners” (CS21)

Even though legitimacy is perceived to have been gained, there are also some potential issues with government ownership, as discussed by a Treasury representative:

„...the extent to which GBE’s feel that government ownership then places a greater burden on them in terms of their reporting and regulation...and the extent to which they feel they”ve got pressure on them to do certain things...“ (GD3)

The third attribute of the state government is urgency. Urgency as an attribute does not focus on time sensitivity only, but it also considers how critical or important the government”s relationship with Beta is. The evidence suggests that Beta”s management perceives the government as important and that it complies with government demands in a timely manner. Therefore as a stakeholder the state government is also considered to have the attribute urgency as perceived by Beta”s management.

These findings from interviews with Beta”s management suggest that the government is a definitive stakeholder, since it has the attributes of power, legitimacy and urgency. Mitchell et al (1997) proposes that stakeholder salience
will be high when all three stakeholder attributes (power, legitimacy, and urgency) are perceived by managers to be present.

**Proposition P1a** predicts that management at Beta is expected to strategically respond more towards the passive conformity end of the strategic response continuum than the active resistance end. The predictive factors of strategic response are discussed next.

### 6.5.2 Predictive factors of strategic responses

To determine the strategic response of Beta’s management to demands from the state government I have used the Oliver (1991) model of predictive factors of strategic response as discussed in the following section.

#### 6.5.2.1 Cause: legitimacy - social fitness

Legitimacy or social fitness is anticipated to be attained from compliance with the government’s demands to meet economic, social and environmental objectives. Delivering on the state’s strategy, having product available for the market and advising on sustainability to the government, all of these presented potential legitimacy gains for Beta in dealing with the government. A manager explains:

“...So if you looked at our objectives over – our true objectives, it’s about delivering on the state’s metropolitan strategy and delivering a commercial return but how do you do that? It’s actually been keeping producing, having stuff on the ground, making sure we’re meeting market prices, not leading it necessarily. So that might go against maximising but it’s a long term view of that. It’s about helping our government on the government sites deliver on the urban renewal and consolidation within transport orientated spots. (CS21)

Further examples of legitimacy gains included leading the industry, solving affordability issues for the community and continuing to adapt by looking at alternative solutions to ongoing problems. A manager comments:

“...It’s about leading the industry on and the government in some ways, advising them on what’s the next thing for sustainability and social sustainability and environmental and then looking at what I call the affordability issues, the housing issue which is probably affordability as much as anything and it’s not about doing it cheap and saying well how do we optimise, fully optimise the value for the stuff on the
The findings suggest that management at Beta gains legitimacy by meeting the demands of the state government, and acquiesces to the demands of the government. However, the findings also suggest that Beta”s management goes **above and beyond** meeting demands. For example, Beta”s managers refer to „advising the government on what”s the next thing“ and „so that”s really our spectrum just keep on going“. These findings imply a more active response than compliance and acquiescence would indicate. The Oliver (1991) model does not appear to have a „fit“ for this type of strategic response, which this research refers to as **entrepreneurial** enacted through a tactic of **innovation**. This finding suggests an extension to the Oliver (1991) model in order to include an **entrepreneurial** strategic response and a tactic of **innovation**.

**6.5.2.2 Constituents: dependence**

Oliver (1991) predicts that a strategic response of acquiescence and compromise will be high when an organisation depends on external constituents. As identified in Section 6.4.1 Beta is owned by the government and is therefore dependent on the state government for its continued existence. Dependency is often thought of as a negative but inevitable consequence of one party providing critical resources and thus resulting in loss of motivation and innovative ideas from the recipient party. Oliver (1991) suggests that if one party has ownership (the government in this case), the dependent party (Beta in this case) complies to a higher or lower degree with the government”s demands. As Oliver (1991:162) predicts „the lower the degree of external dependence on pressuring constituents, the greater the likelihood of organisational resistance to institutional pressures“.

However where a **mutually dependent relationship** exists, as defined by Rhenman, cited in Mitchell et al 1997 „...are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence“ **and** where trust exists in the relationship, a freedom to allow employees to be innovative is a potential positive outcome for both parties. Tomkins (2001:165) defines trust as:
"The adoption of a belief by one party in a relationship that the other party will not act against his or her interests, where this belief is held without undue doubt or suspicion and in the absence of detailed information about the actions of that other party."

The results from this research suggest that Beta’s relationship with the government is mutually dependent: the government depends on Beta to carry out government policy and Beta depends on the government for its survival. Importantly the government also seems to trust Beta. The results identify an entrepreneurial management style and innovative employees and they further indicate that Beta goes above and beyond what is required by the government. The results also indicate that while managers at Beta are aware of their dependency on the government for their continued survival, they are still motivated to suggest new ideas, they advise on new solutions and they appear to believe in themselves. These results indicate a strategic response not covered by the Oliver (1991) model. The findings suggest a highly active strategic response whereas, Oliver (1991) suggests a strategic response of acquiescence or compromise where dependency is high. Acquiescence and compromise are towards the passive conformity end of the strategic response continuum. The other end of the continuum is where the active strategic responses are located, such as defiance and manipulation. Defiance and manipulation are generally considered to be negative responses. The strategic response revealed by the data in the case of Beta is not negative but to the contrary appears to be both active and positive. There is no apparent “fit” for this in the Oliver (1991) framework. Even when the tactics in employing a strategic response, as suggested by Oliver (1991) are reviewed, none of the suggested tactics seem to “fit” the action taken by Beta’s management.

6.5.2.3 Content: consistency

Where high consistency exists between demands from the stakeholder and the goals of the organisation, the strategic response is expected to be more towards the passive conformity end of the strategic response continuum rather than the active manipulation end. When Beta was established, its Corporation Act outlined some of the principal objectives for the organisation. These were to:
operate ... as efficiently as any comparable business, maximize net worth... exhibit a sense of social responsibility... protect the environment... assist the government in undertaking projects... in achieving objectives...“Beta Corporation Act 2001 (6) 1

The results of this research indicate that Beta’s objectives, as perceived by Beta’s management today (nine years after the organisation was established) are still strongly aligned with the objectives of the organisation at establishment. The results suggest high consistency between Beta’s objectives as stated in the Act (at the time when Beta was formed) and the objectives that Beta’s management is pursuing today in each housing development site. A manager commented:

“...Can you get sustainability in there? What’s the element that we can push in that estate, whether it’s environmental, social or what else so we do an environmental study of the thing, we do a social plan for each estate and a financial viability for each, and it’s a mix of all those three things, so its – we judge all the estates, we plan all the estates in a TBL process, so that’s probably the other objective of us is to meet our TBL objectives across the board…”(CS21)

This consistency is further emphasized by the positive pledge coming from the government, when Beta’s management suggested that Beta commit to reporting using the Global Reporting Initiatives (GRI) framework for the organisation. Beta reports GRI results in its annual report.

“...so we’ve committed to that [GRI performance indicators] and the government’s committed to that. We said we’re going to do that and they said great…” (CS21)

The results from this study indicate a high consistency between the government’s demands and Beta’s organisational goals. When high consistency occurs between demands from a stakeholder and organisational goals a strategic response of acquiescence is expected. The results suggest Beta again went above and beyond by suggesting another way of reporting to the government.

6.5.2.4 Control: legal coercion

Legal coercion is the means by which pressures are exerted on Beta by the government. The government mandates certain expectations, ensuring for example that Beta’s management is aware of public interests. These mandates
are enforced through for example, Beta”s Corporation Act, the legal framework that Beta must comply with. It is likely that there would be severe penalties if Beta”s management without sufficient reasons defied the direction that the government and their Minister guided them in. There is no evidence from the data analysed to suggest that Beta did anything other than comply with the government”s legislative mandates. However, Beta”s Act allows Beta”s board of directors the opportunity not to accept the statement of priorities put forward by the Minister. The Act stipulates:

“A decision not to accept the statement of priorities may be made by the board only with the approval of the voting shareholders. If a decision is made not to accept the statement of priorities provided by the portfolio Minister, or to accept the statement subject to conditions or modifications, the voting shareholders must notify the portfolio Minister of that decision and the reasons for it.” (Beta Corporation Act)

The evidence suggests that the board accepts the statements of priorities from the Minister. Further, the findings suggest that Beta”s management did not request any exemptions or delays to the implementation of the government”s requirements. On the contrary, demands were seemingly met without much tension arising between the government and Beta”s management. The results from this study suggest that demands by the government were exerted by means of legal coercion without resistance from Beta”s management. Where legal coercion is high, acquiescence is expected to be the most likely strategic response by Beta”s management. The results suggest that this is the actual outcome. The tactic employed was one of compliance. This finding concurs with Oliver’s (1991) Hypothesis 7 (see Section 3.5.1.4).

6.5.3 Summary of findings of the government as stakeholder

It was determined from interviews with Beta”s management that the government is its second most important stakeholder. The government”s relationship with Beta is considered legitimate, the government is perceived to have power and their claims are considered urgent. The government is therefore determined to be a definitive stakeholder.

The collective effect of stakeholder attributes and predictive factors allows the strategic response employed by Beta in its dealings with the government to be
assessed. The overall strategic response of Beta”s management in dealings with the government is one of acquiescence. This is expected, as the results from this study suggest: Beta gains legitimacy through meeting and exceeding the government”s demands. As the government owns Beta, dependency on the government in terms of the organisation”s continued survival is high. The results indicate a high consistency between the government”s demands and management”s perceived organisational goals. Finally, the government”s demands are enforced by legal coercion, indicating that non-compliance would result in severe penalties, and the evidence suggests there is no resistance to the government demands through legal coercion. Collectively the findings suggest an entrepreneurial strategic response with a tactic of innovation.

The strategic response is more entrepreneurial than any of the responses suggested by the Oliver (1991) framework. Beta”s management appears to contribute above and beyond what legislation require. This suggests an innovative, „can do” attitude. Analysis of the data also reveals the trust the government appears to have in the organisation. All of these factors combined seem to have a very positive impact on the managers of the organisation in terms of the way management responded to demands.

According to Proposition P1a, as the government is a definitive stakeholder, Beta”s management is predicted to acquiesce to the government”s demands. The results from this study agree with Proposition P1a. Beta”s management does acquiesce and comply with demands from government, but the results demonstrate that at times they go „above and beyond” what is required by this definitive stakeholder. This finding suggests an extension of the Oliver (1991) model of an entrepreneurial strategic response with a tactic of innovation.

6.6 PRIVATE SECTOR AS STAKEHOLDER
The private sector was identified as the most important stakeholder by management at Beta. It was considered more important than the government, the community and Treasury.
6.6.1 Stakeholder attributes
The private sector, as noted by management at Beta possesses the attribute legitimacy. This legitimacy is demonstrated through the established exchange relationship between the private sector and Beta (Hills and Jones 1992:133). The private sector is a supplier of critical resources to Beta. The private sector also possesses the attribute power through its interaction with Beta, making Beta”s operations possible. There is no evidence to suggest that the attribute urgency is present. The private sector is therefore a dominant stakeholder, possessing two of the three attributes put forward by Mitchell et al (1997). Mitchell et al (1997) predict that dominant stakeholders will „matter“ to managers, meaning that managers should or do relate to dominant stakeholders. As stakeholder theory allows us to predict what managers should do in relation to dominant stakeholders, the intention of this research is to find out what managers actually do in dealings with a dominant stakeholder. Oliver’s (1991) model of predictors of strategic response allows us to identify what strategic action management took in dealing with a dominant stakeholder. Therefore it is used in this study to determine the strategic responses to demands from stakeholders.

6.6.2 Predictive factors of strategic response
The findings from the analysis of Beta”s data in determining the predictive factors of strategic response employed by Beta”s management in dealing with the private sector is discussed in this section.

6.6.2.1 Cause: legitimacy and social fitness
The private sector has questioned Beta”s legitimacy by raising questions about possible competitive advantages held by Beta and has forced Beta to demonstrate its legitimacy. This questioning has given Beta”s management the opportunity to confirm its legitimate status. A manager comments:

„They try to explain that [Beta have competitive advantages], it’s fair to say, because we’ve had partnerships with them, they understand, they actually know and also we do quite a few presentations to the industry groups and so we’re very clear. We say well, every now and then a question comes up, we’re glad you asked that … we pay taxes, stamp duty, so we have no exemptions, no compulsory
requisition powers, we have no special planning powers, we actually just have to talk to the people. In some ways it's hard because you're expectations are higher. We do have a position where we can communicate easily and talk to people but that comes with the price of higher expectations and that's the trade off…." (CS21)

Beta"s management was pleased to have the opportunity to respond to the private sector. In responding to the private sector the tactic employed by Beta"s management was one of pacifying or "placating and accommodating institutional elements." This tactic suggests that a strategic response of compromise as defined by Oliver (1991) was employed in responding to questions from the private sector. Scott (cited in Oliver 1991: 154) observed in his analysis of health care organisations that these organisations may rail against the interference of government authorities but to do so is to "bite the hand that feeds them." The results from this analysis agree with Scott"s findings. While the private sector raised concerns, there was no evidence to suggest that the sector pursued its concerns beyond asking questions. This could indicate that they were satisfied with Beta"s response. However, as the competitive neutrality policy has been in place since 1996, it seems likely that the private sector would have been aware of the policy and rules and regulations. There is no evidence to suggest that the private sector had any solid reasons for claiming Beta had competitive advantages over them. They did not submit any applications to the Australian Government Competitive Neutrality Complaint Office (AGCNO). Investigation reports submitted to the AGCNO since 2000 suggest that no formal complaints were received from the private sector. A Treasury representative commented on the notion that historically organisations owned by government were considered to have substantial advantages but no longer have these advantages:

"A century or so ago, most government entities were immune from civil liability … that gradually has changed by legislation … they had better access to capital in a lot of cases … up until quite recently they would have found it much easier to get round any environmental or cultural heritage laws than a private sector company would. Most of those perceived advantages of being government-owned have been whittled away, but they used to exist which was one of the reasons why government set these bodies up in the first place … so its not
necessarily always that it is a disadvantage to be government-owned … historically there used to be advantages as well." (GD2)

So, while the private sector may consider a government-owned entity to have advantages, the government has a different view as perceived by this representative. The legitimacy of new types of organisations can be difficult for management to navigate (see Section 2.6.1) and this may be why the private sector sought to undermine Beta as a legitimate organisation. This finding refutes Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

6.6.2.2 Constituents: dependence

The findings from this current study suggest that partnerships are formed with the private sector, indicating that Beta is dependent on the sector. Once a partnership is established, a legal contract exists. As Beta has a high market share and engages in partnerships with many individual private companies, its dependency on the sector as a whole is considered low. It is likely that the private sector would be willing to partner with Beta, as Beta has such a high share of the market. In its 2009 Annual Report Beta comments on the private sector’s interest in Beta and its activities.

“Beta partners with developers and builders in the delivery of our projects, making us an important source of development opportunities for the industry. We share our knowledge and experience with them to help improve the nature of development in the State, particularly in relation to sustainability. We are also able to represent the industry’s views if we are invited to comment on emerging policy initiatives.” (Beta, Annual Report 2009)

These findings suggest that Beta is attempting to actively change the environment in which the private sector currently operates „to help improve the nature of development in the State“. This tactic is an example of co-optation (Oliver 1991). The results from this study find that Beta has made an active attempt to change the content of the private sector’s expectations, that is improve the standards that are currently acceptable.

This particular tactic indicates that management at Beta employs a strategic response of manipulation. This finding is consistent with Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).
6.6.2.3 Content: consistency

The results from this study identify a conflict between the objectives of Beta and those of the private sector. Management at Beta works in partnership with the private sector. For Beta to meet its objectives of sustainability, Beta is required to improve standards in the industry and thus improve outcomes for the environment and society. The private sector as perceived by management at Beta has no urgency to change the status quo. A manager explains:

“… the building industry and the development industry in general are normally pretty slow to do new things. So it was about pushing them a bit earlier than what – I’d say community opinion had changed and the industry hadn’t …” (CS21)

The manager goes on to explain further some of the possible reasons for this inconsistency, such as, the unavailability of capital and the lack of incentives to invest money in new and innovative solutions.

“… It takes a lot of capital for it to happen and that’s why I think the industry probably doesn’t push the boundaries as hard because its easier to put – and finance is the other side – its easier to put money in stuff you know than it is in stuff you don’t and that’s the reason I suppose that leadership bit about saying we’ll do a bit, we’ll put our money out there…” (CS21)

Furthermore, the findings suggest that if Beta had not intervened and shown a leadership role in developing innovative solutions to problems, the building and development industry in Australia might not have progressed from old building methods. A manager demonstrates the outcomes in the US, where government intervention has not occurred and where the focus is purely on economic outcomes.

“…And America’s a perfect example. If you look at their construction methods, they haven’t changed in 60 years. I reckon … it was interesting because … I actually brought some hundreds of photographs back and I was showing some friends of mine and boring them to tears and they couldn’t tell the difference between a new one [building] and an old one because they still do it the same way… One place [in America] I went to said oh we put dual flush toilets in one place and that was our sustainability … and another guy said, we replaced all the light globes in the hallway with low energy … I think because they [Americans] are so market dollar driven that the wider thing doesn’t work…” (CS21)
The findings from this research suggest that there is low consistency between the private sector’s and Beta’s organisational goals relating to environment and sustainability. The results suggest that Beta attempts to exert power over the private sector ("it was about pushing them"), potentially to persuade the private sector to support Beta’s projects as partnerships are formed. This tactic employed by Beta’s management is one of co-opting and results in a strategic response of manipulation. This finding concurs with Oliver’s (1991) Hypothesis 5 (see Section 3.5.1.3).

6.6.3 Summary of findings of the private sector as a Beta stakeholder

The findings of this study suggest that Beta’s management considers the private sector its most important stakeholder. The private sector is considered more important than the state government, the community and Treasury. The private sector’s relationship with Beta is considered legitimate, the private sector is perceived to have power, albeit symbolic rather than coercive power. However, the private sector’s claims did not instill an urgent response from the Beta’s management. Therefore, the findings of this study suggest that the private sector possesses only two of the three attributes proposed by the Mitchell et al (1997) model. The private sector is therefore determined to be a dominant stakeholder.

Taking an overall view of the strategic response, following the predictive dimensions discussed above, it can be concluded that Beta in its dealings with the private sector has employed a strategic response of manipulation. Beta gains legitimacy by interacting with the private sector and by responding to claims and questions raised by the private sector. Beta has a low dependence on the private sector and there appears to be low consistency between the private sector and Beta. The private sector has been assessed to be a dominant stakeholder, meaning that management perceives the private sector to have both power and legitimacy. Mitchell et al (1997:876) suggested “…it seems clear to us, at least, that the expectations of any stakeholders perceived by managers to have power and legitimacy will “matter” to managers.”
6.7 TREASURY AS STAKEHOLDER

Management at Beta perceives Treasury to be less important than the government, the private sector and the community. Treasury is considered the least important of Beta’s stakeholders. The attributes a stakeholder possesses will determine if the stakeholder matters to the organisation (Mitchell et al 1997).

6.7.1 Stakeholder attributes

The results suggest that Treasury possesses the three attributes of power, legitimacy and urgency. It is therefore considered to be a definitive stakeholder. Treasury has power in that it is the government department responsible for ensuring that the financial resources of the government are used in an efficient manner. Treasury has legitimacy in that it has legal ownership of Beta’s assets, and therefore has a legitimate claim on Beta. Treasury is considered critical to Beta in terms of expectation and this is suggested by Mitchell et al (1997) as an example of the attribute urgency. Expectation is defined by Mitchell et al (1997:866) as „the stakeholders anticipation that the firm will continue providing it with something of great value.“ The findings suggest that Treasury anticipates that Beta will continue to provide it with something of great value. The data demonstrate that significant dividends were returned to Treasury annually. Treasury is considered to have the attribute urgency due to its „criticality“ to Beta. Treasury is therefore considered a definitive stakeholder. Beta’s management is expected to treat Treasury and the government in a similar way, as they are both definitive stakeholders. The discussion on predictive factors of strategic response is presented in the following section.

6.7.2 Predictive factors of strategic response

The findings from analysis of Beta’s data in determining the predictive factors of strategic response enacted by Beta’s management to Treasury are discussed in the following section.

6.7.2.1 Cause: legitimacy and social fitness

Management at Beta perceives that legitimacy is to be gained by having an inclusive relationship with Treasury. Management has demonstrated that its
relationship with Treasury is one of open communication. The relationship with Treasury is transparent and managers ensure that they give time to Treasury for feedback and consultation. Treasury staff was invited to Beta’s planning days ensuring that Treasury was aware of Beta’s plans. A manager explains:

“I think the relationship we have with our Ministers is one where because there is constant communication with Treasury, as constant communication we never get to that point [where there is disagreement between the Board and Treasury on project plans]. I mean at our yearly planning workshop we invite our Minister’s office, Treasury, Treasury’s office, chief of staff to the planning day do you know what I mean? So it’s about inclusion rather than rejection and it’s also about them knowing…” (CS21)

The manager further comments:

“Treasury gets our board papers every month for major decisions, the planning work stuff. So it’s true sort of feedback rather than – I will tell you when it’s over…” (CS21)

The results from this study indicate that Treasury “trusts” management at Beta to get on with the job and leaves the decision-making on projects to Beta’s management. A manager explains:

“They [Treasury] just work on commercial returns and they leave it to us…” (CS21)

The results from this study suggest that Beta gains legitimacy from its relationship with Treasury. Beta’s management appears to comply with demands from Treasury “obeying rules and accepting norms” and it enacts a strategic response of acquiescence in its relations with Treasury. The tactic employed in enabling this strategic response is that of compliance. This finding agrees with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

6.7.2.2 Constituents: dependence

The degree of dependence of management on external stakeholders can impact on the strategic response management employ in response to demands from these stakeholders (Oliver 1991). A review of Beta’s financial statements from 2005 through to 2009 suggests that Beta did not rely on Treasury for financial support. Beta’s revenue was generated from sources external to Treasury. Beta did not receive revenue in the form of state government grants. This indicates that Beta is not dependent on Treasury for financial resources:
overall **dependency** on Treasury is therefore **low**. While the evidence suggests that dependency on Treasury was low, there was no evidence to suggest that Beta defied or resisted any demands from Treasury. The strategic response it employed was one of **acquiescence**. Acquiescence can take different forms: habit or „*following invisible, taken for granted norms*“, imitating or „*mimicking institutional models*“ or compliance or „*obeying rules and accepting norms*“ Oliver (1991:152). The findings suggest that Beta”s tactic is one of **habit**. Oliver (1991:152) states that when „*…when institutional norms have attained the persisting status of a social fact … organisations reproduce actions and practices of the institutional environment that have become historically repeated … conventional and taken for granted*“. This finding refutes Oliver”s (1991) **Hypothesis 4** (see Section 3.5.1.2).

**6.7.2.3 Content: consistency**
The results from this study suggest that there is **high consistency** between Treasury”s expectations and Beta”s organisational goals. Oliver (1991:165) suggests: „*Organisations will be more willing to acquiesce to external pressures when these pressures or expectations are compatible with internal goals.*“ Treasury”s expectations of Beta (for example meeting a commercial rate of return on projects, complying with standards for the preparation of financial statements, and preparing reports in a timely manner), are met by Beta. Management at Beta prepares annual reports and annual financial statements for Treasury. Beta”s management achieves a commercial rate of return for projects and is profitable. There is no evidence to suggest that Beta”s management resists Treasury”s expectations. The results indicate that management at Beta **acquiesces** to the expectations of Treasury. The tactic employed by Beta”s management in acquiescing to Treasury appears to be one of **compliance** or of „*obeying rules and accepting norms*“ (Oliver 1991). This finding agrees with Oliver”s (1991) **Hypothesis 5** (see Section 3.5.1.3).

**6.7.2.4 Control: legal coercion**
The means by which demands or requirements from Treasury are imposed on Beta, as suggested by the findings of this study, appears to be legal coercion. The legislative framework under which Beta exists requires Beta to present
financial statements to Treasury, as well as meet other requirements. It is in Beta”s interest to be transparent to the public regarding its use of financial resources. It would be unthinkable for Beta not to comply with demands from Treasury where legislation dictates it must. The findings suggest that Beta did not defy or resist demands from Treasury. Beta”s strategic response is acquiescence, employed through the tactic of compliance. This is as Oliver (1991) predicted, when legal coercion is the means by which control is imposed on an organisation acquiescence best serves the organisation”s interests. This finding concurs with Oliver”s (1991) Hypothesis 7 (see Section 3.5.1.4).

6.7.3 Summary of findings of Treasury as stakeholder
Treasury was perceived to be the least important of Beta”s stakeholders, yet it was also considered to be a definitive stakeholder. A definitive stakeholder possesses all three attributes as put forward by Oliver (1991): power, legitimacy and urgency.

Taking all of the institutional factors and predictive dimensions of strategic response into consideration, the results from this study indicate that management at Beta acquiesces to the demands or expectations of Treasury and that the tactic employed by management in responding to Treasury is one of compliance. Beta gains legitimacy by complying with Treasury and high consistency between Treasury”s demands and Beta”s organisational goals is evident. The means by which Treasury imposes control on Beta is legal coercion and this indicates a strategic response of compliance. However, Beta demonstrates low dependency on Treasury yet acquiesces to its demands. This is inconsistent with theory (Oliver 1991). A possible explanation is the way in which a stakeholder exercises control. Treasury exercised control through legal coercion, so this could override the importance of dependency as a strategic response factor, indicating a possible hierarchy of factors. The findings suggest that the overall strategic response of Beta”s management in response to demands from Treasury which is a definitive stakeholder, is acquiescence. This finding is consistent with Proposition P1a.
6.8 COMMUNITY AS STAKEHOLDER

Using the relative frequency of mentions in the interviews, the community is perceived by management at Beta as almost as important as government, less important than the private sector but more important than Treasury.

6.8.1 Stakeholder attributes

Management at Beta perceives the community as a stakeholder that has power. Freeman (1984:46) posits that a stakeholder has power over the firm if the stakeholder “can affect or is affected by the achievement of the organisations objectives.” Management at Beta is taking notice of how the community is affected by Beta’s activities and managers are taking this into consideration in product pricing. A manager comments:

“…I think the minds of people here [at Beta] are much more well okay, if we do that, that’s a dollar more in our pocket but if we do that we’ll still get 60 cents but those people [the community] will come back tomorrow and it’s more about the people that live there…” (CS21)

The manager’s comments, imply that Beta’s management is aware of how the achievements of their organisation can affect the community. Due to the current housing affordability crisis in Australia, the community possesses a low degree of power. Demand for houses significantly outstrips supply. Yet management at Beta perceives the community as having power and is taking notice of them. It is likely that individual community members do not have power but the community could gain power if individuals join together to form a lobbying group. The fact that power can be gained (Mitchell et al 1997) appears to have been taken into consideration by Beta’s management. Beta is not taking advantage of the community in a situation where they could potentially ask higher prices for their product. They seem very aware of the high power the community could potentially possess.

The basis for legitimacy of a relationship is, according to Langtry (1994:443) when “the firm is significantly responsible for their (stakeholder) well-being, or they hold a moral or legal claim on the firm.” Management at Beta perceives a legitimate relationship between Beta and the community. The results from this research suggest that management at Beta feels responsible for the community
and actively pursues positive outcomes that will benefit the community. A manager comments:

“…there’s whole communities that buy in Beta that don’t buy elsewhere. There’s the security… there’s a number of ethnic communities that will buy in Beta because they see it as being value versus not…” (CS21)

This comment suggests that Beta’s management feels responsible for their local community and offers value, implying too that their competitors are perhaps not offering value. This perceived value by the customer is reiterated in the following comment and suggests that the stakeholder is satisfied with the product received.

“Most people have said we do alright, we weren’t ripped off and that’s the main thing.” (CS21)

The results from this study suggest that the community is identified as a dominant stakeholder by Beta’s management, that is a stakeholder possessing both power and legitimacy. According to Oliver (1991) the expectations of a dominant stakeholder will “matter” to management. The analysis undertaken for this research suggests that there were no direct demands placed on Beta’s management by the community, but that the outcomes for the community mattered to Beta management.

6.8.2 Predictive factors of strategic response

The findings from the analysis of Beta’s data in determining the predictive factors of strategic response enacted by Beta’s management to the community are discussed in the next section.

6.8.2.1 Cause: legitimacy and social fitness

While there was no evidence of direct demands being placed on Beta by the community, there was a suggestion of indirect demands, or of Beta understanding what the community wants and complying. For example, a manager explains the importance of pricing, environmental living and trust to the community as Beta perceives it:

“so I think we’re a market follower rather than a market leader in pricing and that’s probably where we like to sit as a market follower in pricing circumstance because of the environmental living to be quite
honest but what we find is that that gives us this trust element, its also because we’re Government per se but it actually gives us this return service if you like all the time.”(CS21)

Beta”s management perceives that legitimacy was gained through it supplying a product that was considerate of price and of the environment. This activity, which suggests the „social fitness” of Beta, resulted in repeat business or as the manager put it „return service”, indicating that the stakeholder (the community) was satisfied with the product. If Beta was uninterested in gaining legitimacy, it is likely that they would focus more on profit than price and environmental concerns. This could lead to their legitimacy being questioned, as they would appear to be no different to a private sector company. The tactic of compliance indicates a strategic response of acquiescence. There was no evidence to suggest any response other than acquiescence to the community by Beta. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

6.8.3 Summary of findings of the community as stakeholder
Management at Beta perceives the community to be a dominant stakeholder. The findings suggest that Beta acquiesces to demands from the community.

6.9 DISCUSSION OF THE CONCEPTUAL MODEL AROUND CASE BETA
This chapter has described the operating environment of Beta, and it has determined that Beta provides CSOs as per the Productivity Commission definition of a CSO (see Section 1.1) and also as per the characteristics of a CSO (as presented in Table 2.2). The MCS style in use at Beta is a dynamic system that is a combination of both diagnostic and interactive as per the characteristics presented by Simons (1995).

The stakeholders with whom management at Beta interact have been identified and have been ranked in order of importance. The private sector was ranked as most important, the state government was ranked second, the community was considered the third most important and Treasury was ranked fourth.

The private sector, ranked Beta”s most important stakeholder, was identified as a dominant stakeholder, possessing power and legitimacy but not urgency, as
perceived by management at Beta. The state government was determined to be a definitive stakeholder, possessing the attributes of power, legitimacy and urgency. The community was deemed to be a dominant stakeholder possessing both the attributes power and legitimacy but not urgency. Finally, Treasury was determined to be the least important of Beta’s stakeholders and was considered to be a definitive stakeholder.

The findings from the analysis suggest that Beta’s management manipulates the private sector. The findings are consistent with Oliver’s (1991) Hypotheses 4 and 5 but they refute Oliver’s (1991) Hypothesis 1. This is likely to be explained in the same was as for case Alpha. The overall strategic response by management to the private sector is one of manipulation.

The findings from the analysis suggest that management at Beta acquiesces to demands from the state government but, importantly, also often go above and beyond what is required. Therefore these findings suggest a strategic response of entrepreneurialism with a tactic of innovation. As the Oliver (1991) model does not offer a strategic response of this kind I suggest the model be extended to reflect this finding.

The findings from the community as a stakeholder are consistent with Oliver’s (1991) Hypothesis 1. There were no substantial findings to test the other hypotheses against.

The findings from Treasury as stakeholder are consistent with Oliver’s Hypotheses 1, 5 and 7. The findings refute Oliver’s (1991) Hypothesis 4. A possible explanation is presented in case Alpha and is suggested to be similar in case Beta. This finding is consistent with proposition P1a.

6.10 SUMMARY
This chapter has presented the findings from the analysis of data collected pertinent to case Beta. All data were analysed according to the conceptual framework. Chapter 11 discusses case Beta in a cross-case analysis of the four cases. Chapter 7 presents the findings from case Gamma.
CHAPTER 7 ANALYSIS OF GAMMA

7.1 INTRODUCTION
This chapter presents the findings from the analysis of data collected in the case Gamma. I will describe the way in which Gamma deals with community service obligations (CSOs) in practice and I will explore the style of management control system (MCS) used by the organisation’s management. The theoretical framework depicted in Chapter 3 is the lens through which the data have been analysed. The theoretical background to the propositions proposed from the framework has been discussed in Chapter 2.

This chapter starts with an overview of Gamma. Then, all components of the theoretical framework are discussed. Firstly, stakeholders are identified, followed by an analysis of the attributes of these stakeholders conducted through the Mitchell et al (1997) model. Secondly, the strategic response that Gamma’s management take in response to demands from the identified stakeholders is analysed through Oliver’s (1991) model of predictive factors.

The findings in this chapter are presented according to the approach to analysis outlined in Chapter 4. No substantive contradictory evidence has been omitted from the discussions.

7.2 OVERVIEW OF GAMMA
Gamma was corporatised in 2004 and under its state Act has the following functions:

- to be an agency that provides, or promotes the provision of land for the social and economic needs of the State,
- to be an agency through which the Crown and public authorities may dispose of land,
- to be an agency through which local governments and regional local governments may dispose of land in accordance with the Local Government Act 1995.
● to complete the development of the JJ\(^8\) Centre

● to identify other potential centres of population, and centres of population in need of urban renewal, and use its powers to bring about the provision, or improvement, of land, infrastructure, facilities or services for the same.

● to act on commercial principles.

7.2.1 Reports of Gamma
The Minister may give directions in writing to Gamma with respect to the performance of its functions, either generally or in relation to a particular matter.

7.2.2 Board and executive
Gamma is to have a board of directors comprising not less than five and no more than seven people, appointed in writing by the Minister.

7.2.3 Planning tools of Gamma
Gamma’s board must each year, prepare and submit to the Minister –

● a draft strategic development plan for Gamma and any subsidiary, and

● a draft statement of corporate intent for Gamma and any subsidiary

7.2.4 Control - performance reporting
Gamma must, for the first half of a financial year, give the Minister a report on its own operations, and those of each subsidiary. Gamma’s annual report is to be sent to the Minister and the Minister must cause a copy of the report to be laid before each House of Parliament within 21 days of delivery of the report.

7.3 COMMUNITY SERVICE OBLIGATIONS (CSOs)
This section reviews and discusses the way in which Gamma deals with CSOs in practice.

7.3.1 Definition and characteristics
Gamma’s state government’s definition of a CSO is consistent with that recommended by the Productivity Commission and has been defined in Chapter 1, Section 1.1. As noted in Section 7.2, Gamma provides or promotes the provision of land for the social and economic needs of the state. A manager

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\(^8\) JJ cannot be identified in order to retain the confidentiality of the organisation.
suggests that there is no conflict in balancing CSOs with a commercial rate of return as long as Gamma is paid for the CSOs. The manager explains:

„The easy answer to that is none [no conflict], if we’re paid. So if we’re paid the money, there is no conflict.” (CS11). One characteristic of CSOs as identified in Table 2.2 is that all funds are provided by the government. An example of a CSO at Gamma is the purchase of land for industry. A manager explains:

„..okay, let’s have a look at what’s topical at the moment. There’s a project …It’s a heavy industrial project and Gamma has been buying up all the land in that area for industry. It’s…because it’s a…well, we would deem it a non-commercial project the government funded us to buy all the land. So we purchased the land and we used the CSO funds to buy the land. So in our books all that land that we’ve purchased is at zero cost, okay? Now if we go ahead and start developing that project all it’s going to cost us is the development costs if we can then on-sell that land to industry and make our hurdle rate of return.” (CS11)

Another example of a CSO at Gamma is environmental studies and structure planning. A manager explains:

„…So with that project we’ve been funded for all the acquisitions, but we’ve also been funded for studies as well, so we’ve got to do environmental studies, structure planning and all those sorts of things. We are getting CSO funding to do that…” (CS11)

The findings suggest that Gamma is directly funded for non-commercial projects that Gamma considers to be CSOs. However another manager expands further suggesting that what constitutes a CSO project is not quite clear and that in practice Gamma goes about business differently from a private sector company, would, even when acting in a commercial sense. The manager explains:

„…And for me it’s not black and white either (CSOs). CSO projects, they’re specific projects that we’ve identified where they are manifestly non-commercial to undertake, but even when we undertake our supposed commercial projects, we probably go about them in a different way to the way that Lend Lease would.” (CS12)

This finding suggests that the definition of a CSO may be interpreted in many ways and therefore may not be helpful in managing a business in which, CSOs are provided and of which a commercial rate of return is expected.
7.3.2 Funding

The findings above suggest that Gamma is directly funded for the provision of CSOs. A potential implication of direct funding on the one hand is that there is no push for efficiency improvements or for innovation, and interestingly the words innovation and efficiency are not once mentioned in the interview data. On the other hand it allows Gamma’s financial performance to be compared more accurately to that of private companies. As Gamma’s CSOs are directly funded, costs are transparent and future planning and more accurate expenditure on CSOs are likely to be a positive outcome of this method of funding. A manager explains that once the CSO payment is received projects become commercial. “… So as long as our projects achieve that hurdle rate of return then we’ll just go ahead and do them. If they don’t, then we’ll need CSO funding. Once we get the CSO funding they will be commercial.” (CS11)

However, a Treasury representative has a contrary view. The participant suggests that the source of the CSO proposed will influence whether it will be paid for or not. For example, if a CSO is proposed from within Gamma, Treasury will investigate whether Treasury should pay for it. A Treasury representative explains:

“…Yes, but I guess it depends where it’s proposed from in terms of the CSO. If it’s coming from the business itself then we would definitely be reviewing to see if whether we are going to subsidise it or we’re going to pay for the CSO, we’ll make up the difference between non-commercial and commercial.” (GD2)

Another manager at Gamma suggests that CSOs at Gamma may not be true CSOs and that timing of capital and cash flow funding may be a more appropriate form of funding. The manager explains:

“…Mmm. We often find that CSOs aren’t true CSOs - that it’s not necessarily that they make a non-commercial rate of return, sometimes they just require a patience of capital and cashflow funding. So some of them have very large upfront capital investments required where the private sector isn’t able to put that in for whatever reason. I think that’s probably a lot of the projects that Gamma does. Yeah, so it doesn’t necessarily say it’s not commercial, it is commercial but through a different filter. If you’ve got a three-year payback period or a four-year payback period, you’ll say, “Nup, I’m not going to do it”, whereas we’ll say “Yeah, we can still do that and
we’ll fund it from our other activities” and we can cross - it’s not cross-subsidising but it’s cross-cash-flowing”(CS12)

A manager explains how an annual CSO grant is received by Gamma to make up for the hurdle rate of return. The manager explains:

“…We get an annual CSO [grant] to make up for the hurdle rate of return, because they recognise that the whole reason for this is not about commerciality, the whole reason is about getting the spin off benefits of attracting oil, gas and marine, Defence industries there, so it’s the jobs, a spin-off that's wanted and the land is rented out but for nowhere near to reflect the $300 million that has been invested. It’s a bit like a highway, no-one pays for fees to drive on the road, it’s a bit like public infrastructure.”(CS12)

The practice at Gamma paints a confusing picture of what constitutes a CSO, how it is funded and how it is determined whether it should be funded or not.

7.3.3 Transparency

The costs of the CSOs funded are reported in the annual report, a manager explains: „…we do have a line in there [in the annual report] for the total amount of CSO money received…” (CS11). So the costs to the government of CSOs are transparent. Table 7.1 presents a summary of CSO contributions that Gamma received from the state government for CSOs carried out from 2006 through to 2009.

TABLE 7.1 CSO CONTRIBUTIONS RECEIVED FROM THE STATE GOVERNMENT (IN $000)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(CSO) contributions received</td>
<td>31,064</td>
<td>26,214</td>
<td>35,273</td>
<td>27,291</td>
</tr>
</tbody>
</table>

While the costs of CSOs are reported in the annual report, there is no evidence to show what type of CSOs were carried out. However, Gamma does also provide a report of completed CSO projects to the Minister. A manager explains: „it [a report of CSOs] goes to the government minister… We identify all our CSO projects, the value of those projects and the value of the CSO that we’ve received.” (CS12)

While CSOs are carried out from time to time, Gamma can in fact also refuse to carry out a CSO, if it is not fully funded for its provision [even though the definition implies that CSOs will be fully funded]. A manager explains: “…we’d
say that we can’t do it, because the Act says we can’t… well we won’t do it because it’s not going to achieve commercial return.” A manager explains further:

“...Well I guess just the way it works is Gamma is a corporatised entity and in our legislation we have to act commercially. So if there’s any projects that the government wants us to do and they’re not commercial, we will only do them if we get CSO funding from the government.” (CS11)

7.3.4 Performance Reporting

In reporting of CSOs Gamma is instructed by Treasury. A manager explains:

“...because our shareholder is Government/Treasury, we have to report to them on a quarterly basis and provide financial information into their Treasury system for consolidation, to consolidate the whole of government, so they will dictate to us how they want the CSOs reported.” (CS11)

In reporting overall performance on Gamma’s achievements, the focus is on economic or financial performance only. Table 7.2 presents a summary of the revenue and profit generated by Gamma over a five-year period, and the dividends returned to the government from 2005 through to 2009.

<table>
<thead>
<tr>
<th>TABLE 7.2 GAMMA’S FINANCIAL PERFORMANCE (IN S$’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Profit</td>
</tr>
<tr>
<td>Dividends to government</td>
</tr>
</tbody>
</table>

Source: data collected from Gamma annual reports

Gamma’s revenue remained fairly steady from 2006 to 2007, increased significantly in 2008 and returned close to the earlier levels in 2009. Profit increased continuously from 2005 through to 2008 but then decreased considerably in 2009. The dividends returned to the government varied greatly from year to year. While revenue, profits and dividends decreased from 2008 to 2009, the CEO had the following to say:
"Despite a marked worldwide slump in the property market we have experienced continued demand for residential and commercial land across a number of sectors in the State."

Gamma formally reports on financial performance as evident in Table 7.2. While Gamma has objectives and targets other than financial, they are not formally reported. Gamma’s objectives, measures and targets are provided in Gamma’s statement of corporate intent. A summary of some of Gamma’s outputs is presented in Table 7.2.
TABLE 7.3 SUMMARY OF PERFORMANCE TARGETS AND MEASURES

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State needs</strong></td>
<td>Number of lots sold:</td>
<td></td>
</tr>
<tr>
<td>Deliver land and infrastructure to meet the socioeconomic needs of the States communities</td>
<td>Regional Program</td>
<td>705</td>
</tr>
<tr>
<td></td>
<td>Metropolitan program</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td>Industrial program</td>
<td>43</td>
</tr>
<tr>
<td><strong>Market leadership</strong></td>
<td>$ invested in R and D (segmented) including design demonstrations</td>
<td>TBC</td>
</tr>
<tr>
<td>Lead through innovation, excellence and demonstration</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer and Partners</strong></td>
<td>Number of active partnerships</td>
<td>6</td>
</tr>
<tr>
<td>Meet our customer’s and partners needs</td>
<td>% expenditure directed to private sector</td>
<td>&gt; 90%</td>
</tr>
<tr>
<td></td>
<td>% of customer satisfaction, stakeholder satisfaction</td>
<td>&gt; 70%</td>
</tr>
<tr>
<td><strong>Business Performance</strong></td>
<td>Revenue (Sales)</td>
<td>$255m</td>
</tr>
<tr>
<td>Achieve business excellence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return to Government</td>
<td>$69m</td>
<td></td>
</tr>
<tr>
<td>Support people to achieve high performance in a fulfilling and adaptive workplace</td>
<td>% of staff engaged</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Staff retention</td>
<td>70-90%</td>
</tr>
</tbody>
</table>

Source: data collected from Gamma’s Statement of Corporate Intent

While objectives and targets have been set, there is no evidence to demonstrate whether those targets have been met or not. Gamma’s social and environmental achievements are not formally reported. The CEO commented in Gamma’s 2009 Annual Report: “we delivered more than 917 residential and
commercial lots across the State." There is no other reference in the reports to demonstrate Gamma’s social and environmental outcomes or performance. This may be due to the fact that it is notoriously difficult to develop appropriate measures or indicators for social outcomes. A government representative had the following comment on measuring outcomes: „They can’t be measured, not accurately, not robustly“: (GD3)

7.3.5 Management control systems - style of use
The results from this study indicate that management at Gamma uses a diagnostic control system, which goes some-way towards meeting the needs of the multiple stakeholders. Gamma meets Treasury’s demands through the formal preparation and the reporting of financial statements. The community, the government and the private sector presumably also benefit from the availability of these financial data and from the consequent demonstration of accountability. Demonstration of accountability further enhances Gamma’s legitimacy. How Gamma has contributed to social and environmental outcomes for its State is not clear.

If only the financial achievements of the organisation are measured and reported, then this diagnostic control system does not provide assurance that the intended strategies and goals of the organisation are met. The annual report states that „the performance of the Chief Executive Officer (CEO) and senior executives is monitored against agreed criteria.” There is no statement on what these criteria are, again revealing a lack of information to the public on whether objectives have been met or not. The objectives stated above in Table 7.3 align with the objectives of the Corporation Act under which Gamma is legislated.

Gamma has the ability to measure the outputs of its process, has predetermined targets and has the ability to correct deviations from standards. This further indicates the use of a diagnostic control system. While targets are set there is no evidence to demonstrate whether these targets were met. „Believe it or not, we are a Not for Profit (NFP) organisation.” (CS11). Table 7.3 presented some objectives of the organisation that confirm this observation, as there are not-for-profit (NFP) objectives stated. I have analysed Gamma’s annual reports from 2005 through to 2009 to determine the organisational
performance against its objectives. It is a widely held view that measuring social outcomes is a very difficult task. A government representative comments on this difficulty and on how Treasury is attempting to put in place the link that is currently missing:

“How are we putting out what we’re putting out…We’re trying to create the link that’s missing at the moment. That’s the social function. The missing link is the community impact of the output. We’re trying to build it much more into a rigorous sort of effectiveness assessment rather than just an efficiency or a delivery assessment, which is what we do now.” (GD3)

So, while the difficulties of measuring outcomes are acknowledged, there is a move towards the implementation of an improved system. Industry practice continues to be focused on efficiency, but at least after much discussion in the literature on the topic, there is a move towards effectiveness. A Treasury representative comments further: “It’s about getting people into houses, is ultimately what this is about, and strength of communities and relationships and all that sort of stuff…The difficulty with outcomes is evident that its very hard to measure stronger communities.” (GD3)

7.4 STAKEHOLDERS
Gamma was established to carry out objectives as directed by the state government of the day. Gamma is a not-for-profit organisation with economic and social objectives. Gamma’s stakeholders, as perceived by management and as they emerge from the interviews conducted, are presented here and their attributes are identified. After the identification of the stakeholders, it is determined how Gamma’s management deals with stakeholders in terms of responding to their demands.

7.4.1 Stakeholder identification and importance
To explore Gamma’s environment, it is important to identify the stakeholders whom Gamma’s management perceive as important. The way in which these stakeholders are managed is also of significance. As with the previous case studies, this is determined by the relative frequency of the number of times stakeholders are mentioned in the interviews.
The main players in the industry, calculated by the total times they are mentioned by Gamma's management, are the state government, the community, the private sector and Treasury. Management identified these stakeholders without prompting from the researcher. As shown in Figure 7.1, it is determined that respondents from Gamma mention the government as their most important stakeholder (49%). The percentage represents the number of times each stakeholder was mentioned as a percentage of total mentions of stakeholders. The community is perceived to be the second most important (12%), followed by the private sector (10%) and Treasury (10%), the board and executive (3%) and others (16%). As the focus is on external stakeholders the board and executive are not considered, neither is “others” as it is a combination of stakeholders mentioned infrequently and therefore not considered significant. Appendix I presents the data and frequency table of Gamma stakeholders.
Gamma appears to have a high focus on government (49%) at the expense of its other stakeholders, whom Gamma managers mention considerably less frequently. Gamma has an even spread of focus across the private sector (10%), community (12%) and Treasury (10%). This could indicate that Gamma’s management considers the demands of these three stakeholders as important as each other but much less important than the government’s demands. A consequence of this could be that the demands of the other stakeholders are not being met. Management at Gamma cited a much higher percentage of „other” stakeholders than the three previous cases analysed. A
possible explanation for this could be due to the fact that Gamma is involved in developing and working in remote and rural areas.

7.5 STATE GOVERNMENT AS STAKEHOLDER

Frequency analysis of the interview data shows that management at Gamma perceives the government their most important stakeholder.

7.5.1 Stakeholder attributes

The attributes of the stakeholders are analysed according to the Mitchell et al (1997) stakeholder typology, in order to ascertain if they really have meaning to the organisation. Mitchell et al (1997) hypothesised that if the three attributes of power, legitimacy and urgency are present or perceived to be present in a stakeholder, then stakeholder salience will be high. Salience is defined as „the degree to which managers give priority to competing stakeholder claims.“ Mitchell et al (1997). Management at Gamma perceives the government to have the attributes of power, legitimacy and urgency. As stated in a Stanford memo, (cited in Freeman 1984), „the firm is dependent on the stakeholder“, and has power when „those groups without whose support the organisation would cease to exist“. Management at Gamma perceives the government to have power: lack of funding and support from the government can impact on Gamma”s ability to meet its organisational goals. A manager explains this relative power dependency as a form of economic power through funding mechanisms:

„… We have another project where we”re buying industrial land in the southern suburbs. Because of the economic crisis at the moment, the government said they”re strapped for money; we need more money to continue to buy properties. We”re hearing at the moment it may not get approved, so that is going to hinder us continuing to buy up land. We would like to buy it as fast as we can, but we might…if we don”t get the funding, we”ll say “Okay, well we can”t buy it as fast as we like…so that”d be a hindrance…” (CS11)

A legitimate relationship is said to exist, when the stakeholders „have, or claim, ownership, rights, or interests in a corporation and its activities“ (Clarkson 1995:76). As the government owns Gamma and directs Gamma”s activities towards improved social outcomes, a legitimate relationship exists between the government and Gamma. According to Mitchell et al (1997), urgency exists,
when the relationship with a company is important to the stakeholder and is of a
time-sensitive nature. Gamma exists to carry out the government directives in a
timely manner and there is no evidence to suggest from the analysis that
Gamma resists the government calls for attention to particular projects or
developments. The government is therefore perceived by Gamma”s
management to possess the attribute urgency. The results from this analysis
therefore suggest that the government is a definitive stakeholder.

According to Mitchell et al (1997) a definitive stakeholder possesses the three
attributes power, legitimacy and urgency. The strategic response of
management to a definitive stakeholder is predicted to be more towards the
passive conformity end rather than the proactive manipulation end of the
strategic response continuum. This prediction is reflected in Proposition P1a in
Chapter 3.

7.5.2 Predictive factors of strategic responses
The Oliver (1991) model and its predictive factors of strategic response have
been used to determine the strategic response of the organisation”s
management to demands from the state government. The findings are
discussed next.

7.5.2.1 Cause: legitimacy and social fitness
Legitimacy and social fitness are anticipated to be attained from compliance
with the demands of a definitive stakeholder, in this case the government. The
analysis of interview data and other qualitative data in this study suggests that
Gamma”s management gains legitimacy through its relationship with the
government. Management at Gamma is by law directed to act commercially.
However, at times the government may direct Gamma to carry out a project that
is not commercial. Gamma”s managers report that they respond positively and
carry out the requested project. By carrying out a non-commercial project,
Gamma”s management is responding to the demands of government and gains
legitimacy as a not-for-profit organisation. For a non-commercial project,
management at Gamma seeks funding from the government. The expenditure
of this funding is made transparent in Gamma”s annual reports. Gamma”s
legitimacy is further enhanced by this demonstration of its public accountability in its the use of government funding. A manager explains:

„Gamma is a corporatised entity and in our legislation we have to act commercially. So if there’s any projects that the government wants us to do and they’re not commercial, we will only do them if we get CSO (community service obligation) funding from the government.”

(CS11)

So, Gamma’s management gains legitimacy by complying with government demands and its legitimacy is further enhanced by making the process of compliance transparent to the public, whose money is spent in carrying out these non-commercial projects. The strategic response of Gamma’s management to demands from the government is one of acquiescence. The tactic employed is one of compliance, which according to Oliver (1991:152) is „obeying rules and accepting norms.” Oliver (1991:160) predicted that „the lower the degree of social legitimacy perceived to be attainable from conformity to institutional pressures, the greater the likelihood of organisational resistance to institutional pressures”. High legitimacy gains are attained from compliance with the government demands and therefore a strategic response of acquiescence is expected. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

7.5.2.2 Constituents: dependence

Oliver (1991) predicts that a strategic response of acquiescence and compromise will be high when dependence on external constituents exists. As discussed in Section 7.4 Gamma is owned by the state government and is therefore dependent on the state government for its continued existence. As Gamma is dependent on the government for survival, at times it is required to take on projects that are complex and controversial. Incidentally, managers point out that the private sector refuses to undertake these complex and controversial projects, but Gamma’s dependency on government results in an inability to do the same. A manager comments:

„...some of the CSO projects that we do are generally complex projects, because the private sector won't do them...So because they're complex projects, generally they're controversial, and I guess there'd be...you know, with land development and property there’s
always a lot of opposition towards progress, so that could hinder the project." (CS11)

The results of this analysis suggest a strategic response of acquiescence from Gamma to the demands of government even when the demands are for complex and controversial projects. This is expected and concurs with Oliver’s (1991) hypothesis that „the lower the degree of external dependence on pressuring constituents, the greater the likelihood of organisational resistance to institutional pressures.” The tactic employed in responding to the government requirements is one of compliance or „obeying rules and accepting norms” Oliver (1991:152). This finding is consistent with Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).

7.5.2.3 Content: consistency

Where high consistency exists between demands from the stakeholder and the goals of the organisation, a strategic response more towards the passive conformity end of the strategic response rather than the active manipulation end is expected. Under the Act by which Gamma is legislated „the agency…provides, or promotes the provision of, land for the social and economic needs of the State.” In Gamma’s 2007 Annual Report, its Chairman states:

„The Board takes its corporate, social and environmental responsibilities very seriously.”

The evidence suggests a high consistency between the government’s requirements on the one hand and the board’s aims and the organisation’s goals on the other hand. Gamma’s management, through taking a triple bottom line (TBL) approach to development, further emphasises this consistency. While Gamma is asked to act commercially, as demonstrated in Section 7.4.2.1, Gamma is also asked at times to carry out non-commercial projects. This demand is consistent with both economic and social (TBL) objectives of Gamma as perceived by management. A manager comments:

„The principal objective is not to make as much money as you can for your shareholder. That’s not the principal objective…Their [the government owned entities] principal objective is about something else.”(CS12)
The evidence suggests that there is consistency between government demands and Gamma’s organisational goals. These results suggest a strategic response of acquiescence by Gamma’s management to demands from the government and a tactic of compliance. This result is expected. Oliver (1991:164), hypothesised that “the lower the degree of consistency of institutional norms or requirements with organisational goals, the greater the likelihood of organisational resistance to institutional pressures.” The results from this study agree with Oliver’s (1991) Hypothesis 5 (see Section 3.5.1.3).

7.5.2.4 Control: legal coercion

“Acquiescence best serves the organisation’s interests when legal coercion is high, that is, when the consequences of nonconformity are highly punitive and strictly enforced” states Oliver (1991:167). A government mandate is the means by which Gamma is being pressured to conform to the demands of the government. The state government sets governance practices with which Gamma complies. The reports suggest that the consequences of non-conformance are high and the results suggest a strategic response of acquiescence to the demands of the government. This is expected since legal coercion is the means by which requirements are imposed on Gamma and since the consequences of non-conformance are high. The strategic response of acquiescence in this situation concurs with Oliver’s (1991) Hypothesis 7 (see Section 3.5.1.4).

7.5.3 Summary of findings of government as stakeholder

In summary, the strategic response employed by Gamma in its dealings with the government is assessed through the collective dimensions of the Mitchell et al’s (1997) stakeholder attributes and Oliver’s (1991) predictive factors of strategic response. The overall strategic response is acquiescence with a tactic of compliance. This is as Oliver (1991) predicted. Gamma’s management gains legitimacy by having a positive relationship with the government. The evidence suggests there is high consistency between the demands of the government and the organisational goals of Gamma. Gamma depends heavily on the government for its continued survival and the means by which pressures are imposed on Gamma is legal coercion.
The findings suggest that the overall strategic response of Gamma’s management to demands from the government (a definitive stakeholder) is towards the passive conformity end of the strategic response continuum rather than towards the active resistance end. This finding concurs with Proposition P1a.

7.6 PRIVATE SECTOR AS STAKEHOLDER
The private sector is identified by Gamma’s management to be as important as Treasury but less important than the government and the community.

7.6.1 Stakeholder attributes
Interview data, documents and annual reports of Gamma have been analysed to determine if Gamma engages in partnerships or joint ventures with organisations in the private sector in order to assist in delivering on government projects. This analysis suggests that Gamma indeed forms partnerships with the private sector. Gamma and the private sector, are in a contractual relationship, working in a partnership arrangement. The private sector is a „claimant”, that has a „contract” (Cornell and Shapiro 1987:5). This is a basis for demonstrating a legitimate relationship.

Freeman (1984:46) suggests that the stakeholder has power over the firm when the stakeholder „can affect or is affected by the achievement of the organisation’s objectives.” The private sector can affect the achievement of Gamma’s objectives by using the media to alert the public to concerns the sector has about Gamma’s activities that could impact on the community. This type of power is symbolic rather than coercive. For example, in Gamma’s local area, the media has reported private sector concerns about Gamma’s operations.

„… anti-development groups have lashed out again this week after the state government announced it had secured a private partner to help it progress the … marina tourist precinct… the controversial project.”

Other industry bodies have raised further concerns questioning the legitimacy of Gamma and indicating the power of the private sector. The media report states:

„INDUSTRY is calling for a short-term boost to industrial land supply,“
as the Property Council believes the city’s supply of developed industrial lots is just a fraction of the figures reported by the state government…”

The private sector has demonstrated its displeasure with Gamma many times in the media. For example:

The construction magnate also believes state government agency Gamma has become a constraint to industrial land development. His issue is that the agency, run by one of the state’s political survivors, has become motivated by profit rather than driving land releases.” They are duty bound to extract every dollar they can,” Mr B⁹… said.

…His argument is that Gamma impedes industrial land development because of its determination to be part of the process. He claims the agency is opposed to developments that compete with its own, like that of L¹⁰… in the city’s southern suburbs, and will often lease land rather than sell it, which has limited attraction to developers…”

When a stakeholder possesses two attributes, Mitchell et al (1997) determines this stakeholder to be a dominant stakeholder. As the private sector possesses the attributes legitimacy and power, it is considered a dominant stakeholder of Gamma. Mitchell et al (1997:876) suggest that „in a situation where stakeholders are both powerful and legitimate, their influence in the firm is assured, since by possessing power and legitimacy, they form the „dominant coalition” in the enterprise.” In Chapter 3 it was predicted that a stakeholder with two attributes, a dominant stakeholder, would elicit a strategic response to demands more towards the passive conformity end of the strategic response continuum rather than the proactive manipulation end. The predictive factors of strategic response are considered next.

7.6.2 Predictive factors of strategic response

The predictive factors of strategic response of management at Gamma to demands from the private sector are discussed in this section.

7.6.2.1 Cause: legitimacy and social fitness

The findings from the analysis suggest that as a result of the formation of partnerships, skills and experience are transferred across the industry,

⁹ B cannot be identified without revealing the name of the case study unit
¹⁰ Cannot be identified without revealing the name of the case study unit
increased numbers of projects are completed, and innovative materials and improved construction techniques are implemented. These findings suggest that Gamma gains legitimacy by partnering with the private sector to meet its organisational objectives. The chairman has explained:

„This year has also seen a continued drive to collaborate with other developers to benefit the State. Such partnering opportunities enable the transfer of skills and experience across the industry as well as the delivery of an increased number of projects not limited by scarce resources.” (Gamma, Annual Report 2007)

The chief executive officer has commented:

„Gamma is working with builders to bring innovative materials and construction techniques to communities that will reduce building times.”

These findings demonstrate that Gamma”s management attempts to actively change the current environment of the private sector, for example, by bringing „innovative materials and reduced building times” to the industry. This attempt to actively change the environment is suggested by Oliver (1991) to be a co-opting tactic resulting in a strategic response of manipulation. This co-opting tactic assists Gamma in meeting its organisational objectives and thus gaining legitimacy. According to Oliver (1991:157) „the intended effect of co-optation tactics is to neutralize institutional opposition and enhance legitimacy”. Gamma enhances its legitimacy through the outcomes it achieves through its relationship with the private sector. However, these legitimacy gains are achieved by manipulating the private sector, which refutes Oliver”s (1991) Hypothesis 1 (see Section 3.5.1.1).

7.6.2.2 Constituents: dependence

As established earlier, Gamma forms partnerships with the private sector and enters into contracts with it, and therefore Gamma relies on the private sector to fulfill these contractual agreements. Gamma also relies on the private sector to assist it in delivering on some government demands. A manager comments:

„We have some interesting joint ventures [with the private sector]…”

(CS11)

Gamma”s chairman has also commented on the organisation”s commitment to join forces with the private sector in an annual report.
This year has also seen a continued drive to collaborate with other developers to benefit the State.

The analysis suggests that Gamma is dependent on the private sector. However, there are numerous individual players within the private sector but when Gamma enters into a contract, it is with an individual company only. Therefore dependency on the private sector as a whole is considered low. It is highly likely that Gamma would be able to enter into a partnership with an individual company at a time of Gamma’s choosing. If one individual company is unavailable, there are others that will be available. In forming partnerships with Gamma the private sector demonstrates support for Gamma’s projects. Once this support is established, it is likely that the private sector will be less interested in opposing Gamma’s activities. Co-optation is the term given to this type of tactic by Oliver (1991). It refers to Importing influential constituents. This tactic demonstrates a strategic response of manipulation (Oliver 1991). This result is consistent with Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).

7.6.2.3 Content: consistency

“Defiance and manipulation strategies are predicted to occur most frequently when consistency is low” states Oliver (1991:165). Management at Gamma perceives low consistency between the way the private sector operates and the way Gamma operates. A manager comments:

“…even when we undertake our supposed commercial projects, we probably go about them in a different way to the way that private sector would…I think it’s just a different philosophy.” (CS11)

A manager explains further:

“Their [the private sector] means to making a profit is undertaking property deals, whereas for us, being a property developer is our primary objective and we do it in a commercial way…For me, it’s a philosophical difference about how we operate.” (CS12)

Low consistency is further emphasized by the fact that Gamma’s management demonstrates the difference in the approach to capital payback between the private sector and Gamma. A manager explains:

“…Yeah, certainly for short periods of time I’d say the private sector would produce much better rates of return, because… their
shareholders are probably more interested in that...Whereas our shareholder again takes the long term view. You know, patience of capital is a big issue with Government infrastructure providers, where you don’t just have a 12-month or 24- or 60-month payback period, where you might be happy with a 7- or 20-year payback period.” (CS12)

As noted in Section 7.6.1, the private sector believes that Gamma "impedes industrial land development because of its determination to be part of the process" and "will often lease land rather than sell it" which demonstrates Gamma’s intention to exert power over the private sector. This type of tactic of actively exerting power is suggested by Oliver (1991) to be co-optation. The results from this study suggest low consistency between the private sector and Gamma. Oliver (1991) predicts a strategic response towards the active manipulation end of the strategic response continuum where low consistency exists. The strategic response that emerged from the data suggests that a strategy of manipulation is employed in the form of co-optation in which partnerships are formed and in which Gamma actively exerts power over the private sector. This finding concurs with Oliver’s (1991) Hypothesis 5 (see Section 3.5.1.3).

7.6.3 Summary of findings of the private sector as stakeholder
Management at Gamma perceives the private sector to be a dominant stakeholder. Legitimacy is gained by Gamma through the existence of a relationship with the private sector. Low consistency between the private sector and Gamma’s operations is evident from the analysis. Low dependency on the private sector by Gamma also emerges as a finding from the analysis. When legitimacy is high a strategic response of acquiescence is expected. When consistency and dependency are low a strategic response of manipulation or defiance is expected according to Oliver (1991). The results of the analysis of the data gathered from Gamma, suggest an overall strategic response of manipulation.

Oliver (1991:157) suggests that manipulation "is intended to actively change or exert power over the content of the expectations themselves or the sources that seek to express or enforce them." However, there was no evidence from the
data to suggest that Gamma intended to actively change the content of the private sector, even though there was low consistency between the organisation”s and the sector”s goals. Gamma appeared to accept the different philosophies of the organisation and the private sector but co-opted the private sector in order to meet government demands. The strategic response of manipulation that is seen here suggests a different or a less active type of response to that posited by Oliver (1991). The tactic of co-opting is the way in which manipulation is employed by Gamma. Oliver (1991:152) refers to co-opting as „importing influential constituents”, which is the case here. However, the manipulation seen here has more positive than negative connotations, for example in its intention to result in a positive outcome for the community.

7.7 TREASURY AS STAKEHOLDER
Treasury is considered as important to Gamma as the private sector but less important than the government and the community.

7.7.1 Stakeholder attributes
Gamma”s management perceives Treasury to be a definitive stakeholder, meaning that Treasury possesses the attributes power, legitimacy and urgency. The attribute urgency is „the degree to which stakeholders claims call for immediate attention” (Mitchell et al 1997). Treasury”s demands to Gamma to provide financial information appear to be responded to in a timely manner. A manager explains:

„…and I guess we”re also dictated by Treasury as well because we have to report to Treasury, we”re like a shareholder of – because our shareholder is Government/Treasury, we have to report to them on a quarterly basis and provide financial information into their Treasury system…so they will dictate to us how they want the CSOs reported.”(CS11)

Treasury has power over Gamma as the official owner of Gamma”s assets and demonstrates its power in directing Gamma, for example on how funding should be reported.

„…but it was deemed that that was the way the funding was…that Treasury said that”s the way…”

185
A legitimate relationship exists between Treasury and the government. Treasury provides funding to Gamma in certain situations, for example when the government directs a non-commercial project be carried out. A manager explains:

„Well what we do is every year we do an assessment of the project and then if it's short, we will go to Treasury and say we need top-up funding…”(CS11)

Results from the data suggest that Treasury is a definitive stakeholder, possessing the attributes power, legitimacy and urgency. Proposition P1a suggests that management of an organisation will respond more towards the passive conformity end of the strategic response continuum rather than the active manipulation end when responding to a stakeholder with a higher number of attributes.

7.7.2 Predictive factors of strategic response

The predictive factors of strategic response enacted by management at Gamma in response to demands from Treasury are discussed next.

7.7.2.1 Cause: legitimacy and social fitness

Oliver (1991:161) suggests that „in general, the reasons for institutional pressures fall into two categories: social and economic fitness.” Treasury’s requirements for Gamma include, for example, the preparation of financial statements, reporting on a quarterly basis, and reporting on funding expenditure. Gamma meets the demands or requirements from Treasury and thus demonstrates its legitimacy both to the public and to all interested parties. When management in an organisation perceives legitimacy is gained, acquiescence is suggested as the most likely response. The evidence from the analysis suggests that Gamma"s management employs a strategic response of acquiescence to the demands of Treasury and enacts the tactic of compliance defined by Oliver (1991:152) as „conscious obedience to or incorporation of values, norms, or institutional requirements”. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).
7.7.2.2 Constituents: dependence

Oliver (1991) predicts that when dependence on a stakeholder is high the most likely strategic response will be acquiescence or compromise. Gamma’s dependency on Treasury for funding is low. Table 7.4 presents a summary of revenue received by Gamma from Treasury and from sources external to Treasury.
### TABLE 7.4: SUMMARY OF REVENUE AND EQUITY RECEIVED FROM THE STATE GOVERNMENT (IN $’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(CSO) contributions received</td>
<td>31,064</td>
<td>26,214</td>
<td>35,273</td>
<td>27,291</td>
</tr>
<tr>
<td>Other revenue</td>
<td>224,029</td>
<td>224,029</td>
<td>471,597</td>
<td>257,295</td>
</tr>
<tr>
<td>Total</td>
<td>255,093</td>
<td>250,243</td>
<td>506,771</td>
<td>275,576</td>
</tr>
<tr>
<td>% State government</td>
<td>12.17%</td>
<td>7.47%</td>
<td>6.96%</td>
<td>9.56%</td>
</tr>
<tr>
<td>% Other</td>
<td>77.72%</td>
<td>79.52%</td>
<td>93.04%</td>
<td>90.44%</td>
</tr>
</tbody>
</table>

Source: data collected from Gamma’s cash flows from operating activities.

The ratio of government to non-government revenues that is available for Gamma to use in the provision of products and services to the community indicates that dependency on Treasury has been reasonably steady over the years 2006-09. However, the majority of revenue is generated from outside government. Significantly, Treasury is not the major provider of funding. When dependency on a stakeholder is considered low, the strategic response is more likely to be avoidance, defiance or manipulation (Oliver 1991). However, the results from these data suggest that Gamma’s strategic response to Treasury is **acquiescence**. There is no evidence to suggest that management at Gamma avoided, defied or manipulated when Treasury made demands. The tactic employed suggests **habit** or „following invisible, taken for granted norms“ (Oliver 1991:152). An explanation for acquiescence when dependency is low is that another predictive factor is more influential than dependence. It is likely that control is more influential than dependence here, as Treasury is the „policeman“ arm of government. This finding refutes Oliver’s (1991) **Hypothesis 4** (see Section 3.5.1.2).

#### 7.7.2.3 Content: Consistency

The data reveal **high consistency** between Gamma’s organisational goals and Treasury’s demands. When a project cannot meet the commercial rate of return dictated by Treasury, Gamma’s management presents Treasury with findings of a feasibility study of the project, demonstrating that the project is not commercially viable. This causes Treasury to fund the project. This suggests that the government (the stakeholder directing the project be carried out),
Gamma (the stakeholder delivering the project) and Treasury (the stakeholder funding the project) have goal congruence. Oliver (1991) suggests that when consistency is high the most common strategic response is one of acquiescence. The findings at Gamma suggest that high consistency indeed results in a strategic response of acquiescence. The tactic employed by Gamma is one of compliance or of “obeying rules and accepting norms” (Oliver 1991:152). This finding is consistent with Oliver’s (1991) Hypothesis 5 (see Section 3.5.1.3).

7.7.2.4 Control: legal coercion
The data suggest legal coercion as the means by which demands or requirements from Treasury are imposed on Gamma. The legislative framework under which Gamma exists requires Gamma to present financial statements to Treasury as well as meet other requirements. If Gamma resisted the demands from Treasury to prepare reports and financial statements, its legitimacy would be questioned. It is in Gamma’s interest to be transparent to the public with its use of financial resources. It would be unthinkable for Gamma not to comply with demands from Treasury where legislation dictates it must. There is no evidence to suggest that Gamma defies or resists meeting Treasury’s demands. The strategic response employed by Gamma is acquiescence through the tactic of compliance. This is as Oliver (1991) predicted; when legal coercion is the means by which control is imposed on an organisation, acquiescence best serves the organisation’s interests. This finding is consistent with Oliver’s (1991) Hypothesis 7 (see Section (3.5.1.4).

7.7.3 Summary of findings of Treasury as stakeholder
Gamma’s management considers Treasury to be a definitive stakeholder. Taking all of the institutional factors and predictive dimensions of strategic response into consideration, the results from this study indicate that managers at Gamma acquiesce to the demands or expectations of Treasury. The finding is consistent with Proposition P1a. The tactic employed by management in responding to Treasury appears to be one of compliance. When legitimacy is gained, consistency is high, and legal coercion is the means by which control is imposed acquiescence is the most likely strategic response. The results from
the study confirm this prediction. However, when dependency on a stakeholder is low and the strategic response is avoidance, then defiance or manipulation is expected. This is not what these results suggest. On the contrary, Gamma acquiesces to demands from Treasury even though its dependency on Treasury is considered low to moderate. An explanation for this finding is that legal coercion, one of the other predictive factors, is more influential than dependency.

7.8 COMMUNITY AS STAKEHOLDER
The community is considered by management at Gamma to be their second most important stakeholder after the government. As identified by management at Gamma, the community is more important than the private sector and Treasury.

7.8.1 Stakeholder attributes
The results from this study of Gamma suggest that management perceives the community as a **dominant** stakeholder, having the attributes **power** and **legitimacy**. The stakeholder has power over the firm if the stakeholder has „an interest in the actions of an organisation and ... the ability to influence it“ (Savage, Whitehead and Blair 1991:61). Members of the community actively participate in the design of some of the developments of Gamma and thus have influence over these developments. A manager explains:

„...And we have like expert planners there so they get people around at tables and that, sit around and they [the community] say we want a park here and we want a main street there and we want this and that and then our expert planners go away and do it all up properly, so they’re [the community] involved in the planning...We’ve done that with a number of our projects, we get the community involved.‘‘(CS11)

This involvement from the community influences Gamma”s outcomes, giving the community **power**. Langtry (1994:433) suggests that the stakeholder has a claim on the firm, which is a basis for legitimacy of the relationship between the community and Gamma when „the firm is significantly responsible for they’re well-being, or they hold a moral or legal claim on the firm“: Gamma is aware of its responsibility to the community. This responsibility for the well being of the
community confirms that a legitimate relationship exists between Gamma and its community. A manager confirms the organisation’s focus on wellbeing.

“…so my section in that is community well-being …”(CS13)

These results indicate that the community is a dominant stakeholder as identified by Gamma’s management. When a stakeholder possesses two attributes, Mitchell et al (1997:876) suggest that “their influence in the firm is assured…we characterise these stakeholders as ‘dominant’, in deference to the legitimate claims and their ability to act on these claims.” In Chapter 3, Proposition P1a proposes that when a dominant stakeholder exists a strategic response more towards the passive conformity rather than the proactive manipulation end of the strategic response continuum is enacted.

7.8.2 Predictive factors of strategic response

The predictive factors of strategic response enacted by management at Gamma in response to demands from the community are discussed next.

7.8.2.1 Cause: legitimacy and social fitness

Gamma gains legitimacy through its interactive relationship with the community. The community is involved in the planning of developments in a hands-on way, leading to better outcomes for the community and for Gamma itself. The legitimacy appears to be a more active or interactive legitimacy than that seen in the other cases. There is no evidence to suggest a strategic response other than acquiescence to the community by Gamma. This acquiescence is employed through the tactic of compliance. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

7.8.3 Summary of findings of the community as stakeholder

The community is considered a dominant stakeholder by Gamma’s management. Legitimacy is gained through Gamma’s relationship with the community. The community places demands directly on Gamma through their involvement in Gamma’s planning process. The results suggest a strategic response of acquiescence to the community from management at Gamma. This finding is consistent with Proposition P1a.
7.9 DISCUSSION OF THE CONCEPTUAL MODEL AROUND CASE GAMMA

This chapter has described Gamma’s operating environment, and has determined that Gamma provides CSOs as per the Productivity Commission’s definition of a CSO (as defined in Section 1.1) and as per the characteristics presented in Table 2.2. The MCS style in use at Gamma is a diagnostic system.

The stakeholders with whom management at Gamma interacts were identified and were ranked in order of importance. The government was ranked most important, the community was ranked second most important, and the private sector and Treasury were ranked equally as third important.

Taking notice of stakeholders was theorised to be a function of the attributes the stakeholders possess (Mitchell et al 1997). The government, ranked most important is deemed to be a definitive stakeholder, possessing power, legitimacy and urgency. The community is considered a dominant stakeholder. The private sector is also considered to be a dominant stakeholder, meaning management perceives it to have power and legitimacy but not urgency. Treasury, like the state government, is considered to be a definitive stakeholder possessing all three attributes.

The findings of the analysis of Gamma’s data on the state government are consistent with Oliver’s (1991) Hypotheses 1, 4, 6, and 7 suggest that the overall response of management to demands from the state government is acquiescence. This finding is also consistent with Proposition P1a.

The findings on the private sector as a stakeholder are consistent with Oliver’s (1991) Hypothesis 4 and 5, but they refute Hypothesis 1. Even though Gamma gains legitimacy in dealing with the private sector, the strategic response that management enacts is one of manipulation. The overall strategic response to demands from the private sector by management is one of manipulation. This finding is consistent with Proposition P2b.

The findings about the community as a stakeholder are consistent with Oliver’s (1991) Hypothesis 1. There were no substantial findings to test the other hypotheses against.
The findings about Treasury as a stakeholder were consistent with Oliver’s (1991) Hypothesis 1, 5 and 7 but they refute Oliver’s (1991) Hypothesis 4. The overall strategic response to Treasury from management is acquiescence. This finding is consistent with proposition P1a.

7.10 SUMMARY

This chapter has presented the findings from the analysis of data collected pertinent to case Gamma. All data were analysed through the conceptual framework. Chapter 9 discusses case Gamma further in a cross-case analysis of the four cases. Chapter 8 presents the findings from case Delta.
CHAPTER 8 ANALYSIS OF DELTA

8.1 INTRODUCTION

This chapter presents the findings from the analysis of interview and focus group data and from the review of documents pertaining to case Delta. I will consider each factor identified in the theoretical framework depicted in Chapter 3, and predicted to influence management. The theoretical background and justification for the presented propositions have been outlined in Chapter 2 and 3 respectively.

The analysis begins with an overview of Delta. I will discuss the way in which community service obligations (CSOs) at Delta are conducted in practice. I will explore the style of management control system (MCS) used by the management of the organisation. And then I will discuss all components of the theoretical framework in detail. Firstly, stakeholders are identified, followed by an analysis of the attributes of these stakeholders. Secondly, the strategic response that management at Delta take in response to demands from the identified stakeholders is analysed through Oliver’s (1991) model of predictive factors of strategic response.

The findings in this chapter are presented according to the approach to analysis outlined in Chapter 4. No substantive contradictory evidence has been omitted from the discussions.

8.2 OVERVIEW OF DELTA

Delta was corporatised in 1997 and was established as a subsidiary of the Minister. According to the Corporations Regulations, the entity’s functions are limited to the following:

- to carry out the functions formerly carried out by the Urban Projects Authority and the Industrial and Commercial Premises Corporation under the industrial Premises Development Scheme,
- to acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown,
to acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:

- managing the release of large areas of undeveloped (or under developed) land; and holding land and other property to be made available, as appropriate, for commercial, industrial, residential, or other purposes; and
- ensuring the orderly development of areas through the management and release of land, as appropriate;
- to manage the Crown’s interest in various joint ventures and land development projects identified by the Minister for the purposes of this regulation;
- to manage, develop, lease and, where appropriate, dispose of land and improvements at X\textsuperscript{11};
- to manage, develop, lease and, where appropriate, dispose of land and improvements at Y\textsuperscript{12} with specific emphasis on using the assets to facilitate economic development;
- to manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown;
- to manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes;
- to carry out other functions conferred on the subsidiary by the Minister.

8.2.1 Reports of Delta

The Minister and the Treasurer prepare a charter for the subsidiary. The charter addresses:

- the nature and scope of the subsidiary’s operation, the subsidiary’s obligations to report its operations,
- the form and contents of the subsidiary’s accounts and financial statements,

\textsuperscript{11} The exact location cannot be named due to confidentiality
\textsuperscript{12} The exact location cannot be named due to confidentiality
any accounting, internal auditing or financial systems or practices to be established or observed by the subsidiary

- the acquisition or disposal of capital or assets.

8.2.2 Board and executive
According to the Corporations Regulations, the board consists of eight members appointed by the Minister. The Minister appoints one director to chair meetings of the board.

8.2.3 Planning tools of Delta
When preparing the charter for the subsidiary, the Minister must also, after consultation with the subsidiary and the Treasurer, prepare a performance statement setting out the various performance targets that the subsidiary is to pursue in the coming financial year or other period specified in the statement and dealing with such other matters as the Minister considers appropriate.

8.2.4 Control - performance reporting
The subsidiary reports to the Minister on its financial position on a quarterly basis. The subsidiary must, within three months of the end of each financial year, deliver to the Minister a report on its operations during that financial year. The Minister must cause a copy of the report to be laid before both Houses of Parliament within twelve sitting days after receipt of the report.

8.3 COMMUNITY SERVICE OBLIGATIONS (CSOs)
This following section reviews and discusses the way in which Delta deals with CSOs in practice.

8.3.1 Definition and characteristics
Delta’s state government definition of a CSO is consistent with that recommended by the Productivity Commission and is defined in Chapter 1, Section 1.1. In Section 8.2 it is noted that Delta is to achieve urban regeneration or other government policy outcomes. A manager gives an example of an outcome that is also a CSO.

“A cast metals precinct where you can sort of look at an industrial building that we’re buying to prop it up to ensure that another company doesn’t go bankrupt and we’re paying too much for the
building so they can sell it to us so they can put it back into their operations to keep workers in place. That’s complex but quantifiable in terms of what the property resale attached to it. So you get CSOs for those types of things.” (CS31)

It is likely that Delta would not have chosen to perform this service if it had not been directed by the government to do so, and it appears that the government specified conditions, namely, the price to be paid for the building. These are characteristics consistent with those of a CSO as shown in Table 2.2.

The manager goes on to explain the difficulties that Delta faces with the definition of a CSO. It has been noted in the literature that state governments have different definitions and that even within the same industry the definition differs (see Section 2.4). A manager raises his concerns: “the definition of CSO is also one of the biggest challenges that we actually have … they interpret it but they interpret it in a completely different way to the way it’s written anyway. So that’s where the complexity comes”. (CS31) This finding suggests that the interpretation of the definition of a CSO is a problem in practice. The manager goes on to explain how a CSO could potentially be calculated in practice but also how that would not work in this particular industry.

“…So what is a CSO to me? Well if we were going to define – if I was going to sit there as a private company, you pay me the land payment plus all the development opportunity costs that I’m not getting. So I’d be going back to government and saying well yes, I sold my land for say $100 million, there’s 100 hectares but I probably would’ve made $220 million so I’m going to pay you a dividend of $100 million. You give me a $120 million CSO payment because that’s what you disadvantaged me by not letting me develop that. That can never happen in the argument that is a Delta, a Beta, a Gamma because that’s not doing what we’re set up to do. So you know I think that’s just something that’s really important I suppose to bring out at the very beginning of this.” (CS31)

The manager goes on to comment on further difficulties with the definition of a CSO. The issues raised by this manager are possible explanations for state governments not adopting the proposed Productivity Commission definition. The state government policy documents reviewed gave no indication of why the proposed definition was adopted or why it was not adopted. The comments from this manager shed some light on this complex area.
“...I think that because it will always be interpreted to suit the policy of the day. You can never – you can’t quantify – you can’t, you just cannot sit there and quantify a CSO in a definitional sense that’s going to capture the activities of agencies that actually there’s an alternative provision of service rather than government. I just – no one would could ever come up with that satisfactorily in my mind.” (CS31)

The findings above suggest that the entire concept of a CSO causes frustration and indicates that it may not be helpful to managers who are trying to run a corporatised government entity, as it is very minor part of the business. A manager comments:

“...I believe that there’s just a massive fallacy about this whole concept of competitive neutrality and CSOs and all that stuff because it’s only ever at the pointiest, pointy wedge that you actually deal with it, you’re not dealing with it in the structural aspects as you actually move back. Our organisation would never act in the way it was acting... if it was going to act commercially – if it was going to act as a private sector agent or private sector party. (CS31)

8.3.2 Funding

Delta is directly funded for CSOs and the costs of those CSOs are reported in the financial statements. The participant goes on to explain some of the challenges that Delta faces with the inconsistency in the applications of CSOs which affects funding.

“... as you’re seeing, the challenge is that the application of those CSOs, that’s not consistent so does it really matter what the definition is. I mean the concept is a recognition of saying – the X framework is the important thing for Delta because that set the one fundamental rule which is a financial rule in terms of a CSO and this is I suppose the challenge – the economists are very keen to quantify these things into financial terms and that’s what a CSO is derived about in this mechanism for calculations...” (CS31)

However, Delta appears to consider it unnecessary at times to gain funding, even if it is acceptable under legislation for them to do so:

“...there is a recognition for Delta to exist and where it needs to play, it typically needs to play in grounds where the private sector really aren’t playing anyway. So that’s almost taken as a given, so if you’re putting in a CSO for everything that you do its like asking to be paid for something when they know you shouldn’t be there anyway sort of

13 is not identified as it would reveal the identity of case Delta.
thing. So why am I paying you to do it when –so you don’t actually – you’re not strongly incentivised. So my example of that is if I’ve got this land bank now out, I own the land bank if I’m in Delta and I’m an independent vehicle, now why would I sell it to a private developer and not get the development profits? (CS31)

8.3.3 Transparency
Some of the CSOs Delta provides are directly funded but they are not necessarily reported as CSOs in the financial statements. This suggests that transparency is lacking. This was revealed through a discussion with the manager when analysing line items in Delta’s financial statements 2007-08 that had not been clear in the document review carried out prior to interviews. The participant was immediately able to determine which costs related to CSOs and which costs did not relate to CSOs, on looking at the line items. This would indicate that costs of CSOs are explicit and transparent to this particular manager. However, to an external person viewing the documents, and perhaps to others inside Delta, these costs were not transparent.

8.3.4 Performance reporting
Delta does not have performance indicators for CSOs but refers to the fact that performance indicators are implicit in the objectives of individual projects. A manager explains:

“... No [we don’t have performance indicators for CSOs] because the performance indicator tends to be short term projects, so we won’t have – say if you’re … natural monopoly, say we’re to get CSO’s to provide water to M because it’s a long way away and why on earth would you put water out there? They have a whole pile of performance criteria around how they achieve that and deal with that because that’s going to be something that’s going to be there for 20 years or 30 years or 50 years, whatever it is. Ours is to deal with an outcome that is quantifiable. So the performance indicators are actually implicit in the projects objectives." (CS31)

This participant suggests that indicators are not developed, as the CSO projects tend to be long-term projects. Despite the long-term nature of the projects, the respondent suggests short-term (annual) reporting is the only meaningful way to report performance. In reporting on Delta’s overall performance, the focus is on

14 is not identified as it would reveal the identity of case Delta
financials. Table 8.1 presents Delta’s financial results from 2005 through to 2009.

TABLE 8.1 DELTA’S ECONOMIC PERFORMANCE (IN $’000)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>60,830</td>
<td>81,677</td>
<td>83,350</td>
<td>168,085</td>
<td>120,772</td>
</tr>
<tr>
<td>Profit</td>
<td>15,008</td>
<td>31,766</td>
<td>38,766</td>
<td>84,736</td>
<td>38,990</td>
</tr>
<tr>
<td>Dividends to government</td>
<td>2,180</td>
<td>35,686</td>
<td>36,438</td>
<td>61,355</td>
<td>47,410</td>
</tr>
</tbody>
</table>

Source: data collected from Delta annual reports

The financial performance of Delta over the five-year period 2005-08 suggests a mostly positive outcome. Revenue increased continually from 2005 through to 2008. Although there was a significant drop in 2009, possibly connected to the global financial crisis, 2008 revenue was still higher than for 2005-07. Profit also increased from 2005 through to 2008, dropping in 2009, but remaining still almost as high as 2007. Dividends to the government followed the same pattern as revenue and profit. Delta’s chairman had the following to say after reporting on the 2008 financial statements:

“…In a challenging financial and economic environment, it is pleasing to be able to report Delta’s operating profit of $55.7 million. As a result, the Corporation will be able to return to the state government $51.8 million by way of dividends and tax equivalents.”

It is noted that the profit and dividend figure presented in Table 8.1 differ from what the chairman reports. It is likely the chairman’s statement was recorded before the financial statements had been finalised. The manager comments on the difficulty of quantifying CSOs and also discusses outcomes, specifically referring to nationally recognised awards as an outcome.

“…The difficulty is as well, how much are we doing that which is beyond what the private sector are doing which is a CSO? Are we doing purely from a policy point of view or…? Are we doing it because we want to lead the industry and is that a policy position? Yeah. Does it cost us real money? Hard to quantify because does it provide potentially increased returns through revenue from a better place? Yeah. So you can’t – there is no real simple quantification of that. So if you’re looking at a LP\textsuperscript{15} project or a Marina project or a

\textsuperscript{15} is not identified as it would reveal the identity of case Delta
building that we’ve got a CSO on, its usually really straightforward outcomes in terms of a nationally award recognised green village has been developed. So we’ve got national awards and it’s recognised, it’s got all these other things.” (CS31)

Delta’s annual reports have been reviewed to determine the achievements of Delta other than the financial achievements formally reported. A summary of some of Delta’s non-financial achievements is presented in Table 8.2.

**TABLE 8.2 DELTA’S NON-FINANCIAL ACHIEVEMENTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Industrial and Commercial</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Only financial results presented</td>
<td>First year of successful operation of a $6 million recycled water system</td>
</tr>
<tr>
<td>2006</td>
<td>Released over 50 hectares of land</td>
<td>Sold 320 residents allotments</td>
</tr>
<tr>
<td></td>
<td>Invested $10.8 million in major infrastructure works</td>
<td>Launched a new affordable Terrace housing project</td>
</tr>
<tr>
<td></td>
<td>Remediation of 6 hectares of land</td>
<td>Entered a $200 million joint venture</td>
</tr>
<tr>
<td></td>
<td>Released 2 allotments for sale</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Invested $1.4 million in major infrastructure works.</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>84 houses and land packages released</td>
</tr>
<tr>
<td></td>
<td></td>
<td>300 diverse housing allotments released</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28 hectares of broad acre land released to the private sector</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>99 hectares sold to the private sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>52.56 hectares sold to the private sector</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>99 hectares sold to the private sector for construction of 1600 dwellings, including 240 affordable homes</td>
</tr>
</tbody>
</table>

Delta’s chairman discusses the organisation’s responsibility above and beyond a commercial return on its investment.

“*Delta aims to live its vision by being a leading contributor to the State’s urban development. Its commitment to delivering projects that embrace social, economic and environmental outcomes actively demonstrates to industry the norm for future urban development.*”

It is unclear if Delta’s management, the government or Treasury are happy with these performance outcomes, as there is no list of clear targets to compare performance against.
8.3.5 Management control systems - style of use

The number of hectares of land released, investments in major infrastructures, residential lots sold, house and land packages sold are all examples of outputs delivered by Delta. This demonstrates the first feature of a diagnostic control system, the ability to be able to measure outputs (see Section 2.7.1). The second and third feature of a diagnostic control system is demonstrated by Delta: "the financial and commercial targets to be met by the Corporation shall be those set out in the annual Performance Statement … as approved by Cabinet in 200X" and "The Corporation shall provide financial reports (including Statement of Financial Performance, Statement of Financial Position and the Statement of Cash Flows); an exception report on any other information, in the opinion of the Board …". The outputs can be measured, targets have been set and exception reports are prepared. The outputs are not reported in a formal sense but an attempt is made here to collate and present outputs other than economic achievements collected from a document review of annual reports and presented in Table 8.2 above.

There was no evidence to suggest Delta engages in the use of interactive control systems.

8.4 STAKEHOLDERS

Delta was established to carry out objectives as directed by its state government of the day. The external environment in which Delta exists is explored in this study. Delta"s coalition of stakeholders, as perceived by its management, are presented here and the stakeholders" attributes are identified. Delta"s internal environment is explored in order to ascertain how managers at Delta deal with these stakeholders.

8.4.1 Stakeholder identification and importance

The stakeholders whom management at Delta consider important are explored in this study. This allows the research to place Delta in context within its environment. The way in which these stakeholders are managed by Delta"s management is also of significance.
The main players in the industry, as perceived by Delta’s management, are the state government, the private sector, Treasury and the community. As shown in Figure 8.1, it is determined that respondents from Delta mention the Government as their most important stakeholder (52%). The private sector is perceived to be the second most important (29%), followed by Treasury (9%), and the community (2%). As the focus is on external stakeholders the board and executive is not considered, neither is “others” as it is a combination of stakeholders mentioned only once or twice and therefore not considered significant. Appendix J presents the data and frequency table of Delta’s stakeholders. Figure 8.1 presents the stakeholders identified.

**Figure 8.1: Stakeholder identification – Delta**

![Stakeholder identification and importance](image)

Source: author from data collected through the interview process
8.5 STATE GOVERNMENT AS STAKEHOLDER

Delta's management representative mentions the government more frequently than any of Delta's other stakeholders. A possible reason for this could be the heightened awareness of Delta's management that it exists only at the government's pleasure, mentioning this more than once in the interviews. This heavy focus on the government appears to be at the expense of the community. A possible reason for this apparently low focus on the community could be due to state government policy. Delta's state government has the following policy on affordable housing on residential sites. A manager comments:

„Affordable housing in the state just gets sold with a 15 % cumbrance on it, to say that 15% of all lots created here have to be affordable lots under the definition of Affordable Housing Trust … We get a lower payment for that but that's legislative requirement would apply to any land seller if they were going to produce anyway…” (CS31)

This policy could explain Delta's diminished focus on the community, as the private sector must contribute to affordable housing also. Delta also has a heavy focus on industrial development providing „40% of industrial allotments into the market” (CS31). This heavy focus on industrial development could be an explanation for the apparent diminished focus on the community. Delta mentions the private sector (29%) considerably more often than the community (2%) and Treasury (9%). Delta depends on the private sector to complete its projects, so this is a possible explanation for their heavy focus on the private sector.

8.5.1 Stakeholder attributes

The attributes of the stakeholders are analysed according to the Mitchell et al (1997) stakeholder typology, in order to ascertain that they really have meaning to the organisation. Mitchell et al (1997) hypothesised that if the three attributes of power, legitimacy and urgency are present or are perceived to be present in a stakeholder, then stakeholder salience will be high. Salience is defined as „the degree to which managers give priority to competing stakeholder claims.” by Mitchell et al (1997).

The results from this the analysis suggest that managers at Delta consider the government to be a definitive stakeholder. A definitive stakeholder possesses...
the attributes relative power, legitimacy and urgency according to Mitchell et al (1997). Delta gains legitimacy through its relationship with the government. Clarkson, (cited in Mitchell et al 1997) claims that one example of a basis for a legitimate relationship is when the stakeholders „…bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm” or „are placed at risk as a result of a firm’s activities”. The government has invested both financial and human capital in Delta and has given Delta”s management guidelines on how to act. A manager explains:

„We act commercially within the parameters within which the government wants us to act and that”s to ensure that we”ve got a vibrant private sector development industry…” (CS31).

The government has power because without its support Delta would cease to exist. Bowie (cited in Mitchell et al 1997) posits that the firm is dependent on the stakeholder „without whose support the organisation would cease to exist.” A manager comments on this power:

„Delta exists at the government”s pleasure. So we don”t exist…for any other purpose other than achieving what the government wants.” (CS31)

Urgency is also evident in the response taken by Delta”s management to demands from the government. Mitchell et al (1997:867) argue that „urgency is based on the two attributes of time sensitivity … the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder and criticality - the importance of the claim or the relationship to the stakeholder”. A manager comments on the importance of their relationship with government:

„…They”re all policy issues. If I was a private company I don”t care, it”s not my problem. So the fact that we sit there in that space almost hinders our asking for a CSO anyway… because why do we want to ask for something which is only going to antagonise the masters that put you there.”(CS31)

There was no evidence to suggest that Delta delayed acting on any demands the government issued, indicating that time too is an attribute that is present as well. The government is considered a definitive stakeholder by Delta”s management.
The strategic response of management to a **definitive stakeholder** is predicted to be more towards the passive conformity rather than towards the proactive manipulation end of the strategic response continuum. This prediction is reflected in **Proposition P1a** in Chapter 3. The strategic responses of Delta to its stakeholders’ demands are discussed next.

### 8.5.2 Predictive factors of strategic responses

To determine the strategic response of Delta’s management to demands from the state government I have used the Oliver (1991) model of predictive factors of strategic response as discussed in the following section.

#### 8.5.2.1 Cause: legitimacy and social fitness

When legitimacy is perceived as gained by an organisation, Oliver (1991) posits that the organisation’s management will acquiesce to demands from the stakeholder. Delta’s management is aware that by carrying out government directives Delta gains legitimacy. A manager explains:

> „... I do that because the government policy stuff tells me that we want to have a vibrant development industry. We want to have all these other things, jobs, employment, multiple fronts. We don’t want shortage of land supplies; you know all these other things." (CS31)

If Delta’s management refused to carry out directives from government, which are legislated, then Delta’s legitimacy could be questioned. The analysis of the data indicates that managers at Delta **acquiesce** to demands from the government. The strategic response employed is **compliance**. This response is expected, as Delta’s management gained legitimacy from acquiescing to the demands of the government. The result concurs with Oliver’s (1991) **Hypothesis 1** (see Section 3.5.1.1).

#### 8.5.2.2 Constituents: dependence

There was no suggestion from the data that Delta resisted the demands from the government. Delta is owned by the government and is therefore is **highly dependent** on the government for survival. The results suggest that managers do not want to upset the government. A manager comments:

> „... because, why do we want to ask for something which is only going to antagonise the masters that put you there …” (CS31)
This comment demonstrates that management at Delta is aware of who holds power in this relationship and power implies dependency. A manager explains:

„...Delta in that it ... does exist at the government’s pleasure. So if you keep pushing back on every one of their policy type objectives then why do we have them?...“ (CS31)

The results suggest that Delta’s management acquiesces to demands from the government. The analysis suggests that a tactic of compliance, rather than a tactic of imitation or of habit was employed. „Compliance is defined as conscious obedience to or incorporation of values, norms, or institutional requirements.” (Oliver 1991:152). This tactic implies that Delta’s management is taking a strategic response of acquiescence in response to demands from the government. This finding concurs with Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).

8.5.2.3 Content: consistency

There is evidence to suggest that there is goal congruence and high consistency between the government demands and Delta’s organisational goals. When consistency is high, a strategic response of acquiescence is predicted (Oliver 1991). The Act under which Delta operates specifies Delta’s functions, for example:

„...to acquire, hold, manage, lease and dispose of surplus land...”
„...holding land and other property to be made available, as appropriate, for commercial, industrial, residential, or other purposes...”

A manager corroborates this evidence:

„...Delta was brought together and very much brought together under the charter to ... as I said, orderly, efficiently dispose of surplus government land and I suppose principally work through the government’s land bank for release to the private sector for development ...“ (CS31)

The data suggests that the government’s demands align with Delta’s organisational goals as perceived by management. The tactic that Delta employs in responding to demands from the government is compliance or „obeying rules and accepting norms” (Oliver 1991:152). This tactic of compliance suggests a strategic response of acquiescence is employed, which
is the result of this study. This finding is consistent with Oliver's (1991) 
**Hypothesis 5** (see Section 3.5.1.3).

**8.5.2.4 Control: legal coercion**

"When the force of law or government mandate buttresses cultural expectations, organisations are made more aware of public interests and will be less likely to respond defiantly because the consequences of noncompliance are more tangible and often more severe" (Oliver 1991:168). For Delta the consequences of obstructing the exercise of power of the organisation under its Act would result in a penalty, for example:

"A person who:

- hinders or obstructs an authorized officer, or a person assisting an authorized officer, in the exercise of powers conferred by this Act or otherwise in the administration of this Act; or
- uses abusive, threatening or insulting language to an authorized officer, or a person assisting an authorized officer, is guilty of an offence.

Maximum penalty; $5 000"

**Legal coercion** is the means by which control is imposed on Delta through its legislative framework. The results suggest a strategic response of **acquiescence** to the demands of government. Delta employs the tactic of **compliance**. There is no evidence to suggest that Delta resists the demands or requirements imposed by the government. This strategic response of acquiescence is expected and is in agreement with Oliver's (1991:167) proposition:

"The lower the degree of legal coercion behind institutional norms and requirements, the greater the likelihood of organisational resistance to institutional pressures."

This finding is consistent with Oliver's (1991) **Hypothesis 7** (see Section 3.5.1.4).

**8.5.3 Summary of findings of the government as stakeholder**

The findings determined the state government to be a **definitive** stakeholder. The results suggest that the overall strategic response of management at Delta to demands and requirements of the government is **acquiescence**. This
conclusion is drawn based on the assessment of the collective dimensions of stakeholder attributes of Mitchell et al (1997) and the predictive factors of strategic response of Oliver (1991). The results demonstrate that Delta’s management gains legitimacy by complying with demands from the government. The analysis suggests that there is high consistency between the demands of the government and Delta’s organisational goals as perceived by management. As the government owns Delta, there is high dependency by Delta on the government for its continued existence. The government’s requirements are imposed on Delta through legal coercion. This finding is consistent with Proposition P1a.

8.6 PRIVATE SECTOR AS STAKEHOLDER
Delta’s managers identify the private sector as their second most important stakeholder after the government. The private sector is identified as more important than Treasury and the community.

8.6.1 Stakeholder attributes
The private sector appears to be a dominant stakeholder for Delta’s management. According to Mitchell et al (1997) a dominant stakeholder possesses two attributes, power and legitimacy. According to Salancik and Pfeffer (1974:3) power is “the ability of those who possess power to bring about the outcomes they desire.” Delta intervenes in the market to bring about the outcomes the government desires. A manager explains:

“Typically the residential development we undertake, we undertake because there is a form of market failure somewhere. It is typically an interventionist role” (CS31)

Suchman (1995) defines legitimacy as “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Delta justifies its activities through its legitimacy as an organisation with a focus wider than making profit. A manager explains:

“If we were to act as a commercial entity would act, I would never sell one more block. Why would I? I mean how many commercial – Lend Lease doesn’t put a sign up and say I’ve got this great development site out here, I’m going to sell it tomorrow.” (CS31)
In Chapter 3, it was predicted that a stakeholder with two attributes, a dominant stakeholder, would elicit a strategic response more towards the passive conformity end of the strategic response continuum rather than the proactive manipulation end.

8.6.2 Predictive factors of strategic response

The predictive factors of strategic responses enacted by management at Delta in its dealings with the private sector are discussed next.

8.6.2.1 Cause: legitimacy and social fitness

Delta’s intervention in the market, its provision of industrial allotments to the private sector and the way in which it challenges the industry are some examples of how Delta’s management gains legitimacy through their dealings with the private sector. A manager explains:

„We provide around about 40% of the industrial allotments into the state’s market and this is a role that the private sector is desperate for us to play and very happy for us to play.” (CS31)

As well as provision into the industrial market, Delta also plays a role in the residential market. A manager comments:

„We then have our residential business…we undertake development on behalf of government and that is residential development on behalf of government …”(CS31)

Further evidence of how Delta gains legitimacy through its relationship with the private sector is its determination to challenge the industry. A manager comments:

„…you need to have an entity that can go in there and just keep the wheels moving and can keep challenging the industry and say well look… we’re going to show you up here if you don’t sort of do it, so it kind of keeps everyone around the table.” (CS31)

The results suggest that Delta’s management in its dealings with the private sector employs a strategic response of manipulation. The ownership of land and the interventionist role Delta plays suggests a tactic of control. „Control is a more actively aggressive response to institutional pressures than co-optation and influence because the organisation’s objective is to dominate rather than to influence, shape, or neutralize institutional sources or processes” states Oliver
This finding refutes Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1), because despite Delta gaining legitimacy through its dealings with the private sector, the strategic response it takes to the sector is one of manipulation.

8.6.2.2 Constituents: dependence

Interview data, documents and annual reports of Delta were analysed to determine if Delta is dependent on the private sector in delivering on government projects or is dependent on them in any other way. The results of this analysis suggest that Delta forms joint ventures with the private sector, indicating a dependency on the companies with whom the joint ventures are formed. Delta would have struggled to meet its commitments without the support of the private sector and is therefore dependent on them. As stated in Delta’s 2008 Annual report:

„Without the support and contribution of our industry partners…Delta’s achievements would not be possible." (Delta, Annual Report 2008)

The private sector also contributes to Delta’s revenue and a manager at Delta suggests that due to the global economic crisis, Delta is currently having difficulty selling to the private sector and is therefore focused on development.

„Why we’re doing a lot of development at the moment is because the markets having all these problems, we need to ensure supply keeps going out there, we can’t sell any… land at the moment because no banker will give a private company money to buy a parcel….“(CS31)

Dependence is rarely unidirectional, because organisations typically have interests they wish to protect (Oliver 1991). A manager confirms this statement with regards to Delta’s relationship with the private sector and their reliance on each other.

„The industry and government’s role and private sector interaction and all those things because it is such a – they’re actually dependent piece, they rely on each other.” (CS31)

However, Delta’s chairman emphasises that where the private sector is unable to assist, Delta will continue to meet organisational objectives:

„Where the private sector alone cannot deliver the required outcomes, Delta will seek to build partnerships. This approach allows
Delta to minimise risk and capitalise on the private sector’s capacity and capabilities. Where a partner cannot be sourced, Delta will act as developer in its own right to meet government objectives and continue to grow the State’s well-being.”

The data suggests that Delta has a moderate level of dependency on the private sector. However, as the chairman suggests, development will continue with or without private sector involvement. Furthermore, a substantial amount of Delta’s income is received from joint ventures with the private sector. The income received from joint ventures is summarised in Table 8.3.

**TABLE 8.3: SUMMARY OF INCOME RECEIVED FROM JOINT VENTURES (IN $’000)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received from joint ventures</td>
<td>22,633</td>
<td>24,878</td>
<td>28,336</td>
<td>31,462</td>
<td>38,382</td>
</tr>
<tr>
<td>Total other revenue</td>
<td>45,848</td>
<td>48,996</td>
<td>45,473</td>
<td>44,258</td>
<td>38,483</td>
</tr>
<tr>
<td>Total</td>
<td>68,481</td>
<td>74,865</td>
<td>74,808</td>
<td>75,721</td>
<td>77,875</td>
</tr>
<tr>
<td>% Joint ventures</td>
<td>33.05%</td>
<td>33.32%</td>
<td>38.21%</td>
<td>41.55%</td>
<td>50.57%</td>
</tr>
<tr>
<td>% Other</td>
<td>66.85%</td>
<td>66.68%</td>
<td>60.78%</td>
<td>58.45%</td>
<td>48.43%</td>
</tr>
</tbody>
</table>

Source: data collected from Delta’s Income Statement notes.

Taking into consideration all the factors discussed, it is concluded that Delta is moderately dependent on the private sector. The findings suggest that Delta intends to actively change the private sector’s environment, for example, as the manager quotes; “you have to have an entity that can go in and just keep the wheels moving and keep challenging the industry”. This type of tactic, namely, the intention of actively changing, is defined by Oliver (1991) as co-optation. Delta co-opts or ‚imports influential constituents“ by forming joint ventures. One intended effect of this tactic is to „neutralise institutional opposition and enhance legitimacy” (Oliver 1991). Once the private sector is „imported“, it suggests that they support the projects of Delta and it’s likely they would be reluctant to oppose Delta’s activities. A tactic of co-optation, implies a strategic response of manipulation. By forming joint ventures with the private sector Delta signals to the market a degree of dependency on the sector. Not directly competing with the private sector all the time also gives legitimacy to Delta as a government-
owned organisation driven by wider objectives than maximising shareholder wealth. This finding is consistent with Oliver’s (1991) Hypothesis 4 (see Section 3.5.1.2).

8.6.2.3 Content: consistency

The data suggest that there is low consistency between the private sector and Delta. Where low consistency is evident, the expected strategic response is one of defiance or manipulation (Oliver 1991). The data reveal some inconsistencies in Delta’s foci compared to the private sector. Delta has a focus on policy outcomes for the government, whereas this is not a concern for the private sector. A manager explains:

“If I was a private company I don’t care [about policy issues], it’s not my problem” (CS31)

While Delta is legislated to act commercially, it does not necessarily charge rates as high as the private sector. The private sector is driven by the need to return a profit as high as possible. A manager explains this difference in organisational focus:

“The environmental services group provide consulting services back into government. Those activities are undertaken on a recovery – on a charge out basis … However, those rates are by no means commercial, where a private sector operator for our senior environmentalist specialist would be charging – or the General Manager in charge of the group for instance would be charging $400 an hour, we charge around $180 or $170. So we still make a recovery because the salary for say the GM would be $100 an hour, we get $180 but with on-cost and all the other – you’re not actually doing it as a profit...” (CS31)

Another example of inconsistency is evident in the data below, where the private sector complains to Treasury that they are required to pay land tax whereas Delta is exempt. A manager explains:

“…So you can see we lost our land tax subsidies, so you know from 7 million down – and interestingly enough our land tax bill is now $15 million. So you know, there was – everyone could see the avalanche coming so take it away… because every year someone would write to the Treasurer and argue competitive neutrality, I pay land tax and I’m a development company, why doesn’t Delta?” (CS31)
The results suggest that there is **low consistency** between Delta”s organisational goals which are policy driven, and the private sector”s organisational goals, which are profit driven. Delta **pacifies** by „*placating and accommodating institutional elements*“ (Oliver 1991:152) the private sector, by responding to their complaints of competitive advantage and accommodating them as the manager explains above „*we lost our land tax subsidies*“. The tactic of **pacifying** suggests a strategic response of **compromise**. This finding refutes Oliver”s (1991) **Hypothesis 5** (see Section 3.5.1.3). Even though consistency is low, Delta compromises with the private sector.

### 8.6.3 Summary of findings of the private sector as stakeholder

Delta”s management considers the private sector to be a **definitive** stakeholder. The results suggest that Delta gains **legitimacy** in its dealings with the private sector. Management perceives that there is **low consistency** between the private sector and Delta. The results indicate a **moderate** dependency on the private sector by Delta. When legitimacy gains are perceived high, acquiescence is the most likely strategic response. Avoidance is the most likely response when dependency is moderate and a strategic response of defiance or manipulation is expected when consistency is low. While theory suggests a few different strategic responses in this situation, taking all factors into consideration the overall strategic response suggested from the results is one of **manipulation**. This is based on the **co-opting** tactic of „*influencing influential constituents*“ (Oliver 1991:152) through which joint ventures are formed with the private sector. There was also evidence to suggest that Delta employed the tactic of „*control*” or „*dominating institutional constituents and processes*” (Oliver 1991:152), as explained by the manager; „*We’re going to show you up here if you don’t sort of do it*“. (CS31)

### 8.7 TREASURY AS STAKEHOLDER

Treasury is the third most important stakeholder to management at Delta. Treasury is identified as less important than the government and the private sector but more important than the community.
8.7.1 Stakeholder attributes

A legitimate relationship exists between Delta and Treasury. Treasury directly funds Delta when CSOs are carried out. Management at Delta considers Treasury a huge aid to them. A manager explains:

"Electricity is electricity is electricity if I can use that, water is water is water, gas is gas is gas. You know, you turn the tap on whether it’s my gas, your gas or someone else’s gas, who can tell the difference. Works wonderful, financial markets can sit over the top of it, all of those things because you’ve got this wonderful anonymity but land development isn’t like that. So you know, that creates the challenge in terms of how we’re operating. So they are a huge – they are a huge aid." (CS31)

Carroll (cited in Mitchell et al 1997:861) suggests that a further basis for the legitimacy of a relationship “asserts to have one or more of these kinds of stakes” - “ranging from an interest to a right (legal or moral) to ownership or legal title to the company’s assets or property”

As custodian of the government’s finances, Treasury has a legal right over Delta’s assets, and thus ensures legitimacy of this relationship. Treasury has power over Delta. Savage et al (1991:61) claims that the stakeholder has power over the firm when they “have an interest in the actions of an organisation and … the ability to influence it”. Treasury assists Delta in obtaining refunds for undertaking CSOs and thus influences the outcomes for Delta. A manager explains:

“… what other things assist us? DTF, Department of Treasury and Finance are very keen to ensure that CSOs get paid when CSOs need to be paid as long – if I can put a proviso on that – it doesn’t damage their budget in any way, shape or form. The minute there is a risk of any form of budgetary impact associated with a CSO we quickly move away from that and we go to an alternate scenario. So…but generally you would say the Treasury Department, they’re neo-classical economists, small governments, transparency, we want to see what things we’re not doing well that we shouldn’t be doing against the private sector. Let’s create these CSO payments to try and create this concept so that we know the true cost of being involved in this development activity.” (CS31)

Urgency is the third attribute of a definitive stakeholder and refers to “time sensitivity and criticality” (Mitchell et al 1997). Management at Delta reports to Treasury as required and there is no evidence to suggest that Delta responds to
Treasury with defiance or manipulation or delays when undertaking any demands placed on them by Treasury. A manager explains for example some reporting to Treasury:

„The principal way CSOs are reported are they – they are reported certainly extensively within Delta’s sort of board reporting frameworks. They’re extensively reported in funnily enough our relationships with Treasury. Treasury is probably the tightest parties in terms of really monitoring that sort of CSO environment and they are broadly referred to in terms of our public you know documentation and sort of funding.” (CS31)

The results suggest that Treasury is identified as a definitive stakeholder by Delta’s management. Proposition P1a in Chapter 3 suggests that an organisation’s management will respond more towards the passive conformity end of the strategic response continuum rather than the active manipulation end when responding to a definitive stakeholder.

8.7.2 Predictive factors of strategic response
The predictive factors of strategic responses enacted by management at Delta in its dealings with the Treasury are discussed here.

8.7.2.1 Cause: legitimacy and social fitness
Treasury is interested in the activities of Delta and as such requests that Delta demonstrates its performance against set criteria. This assessment of Delta’s performance by Treasury gives legitimacy to Delta in terms of its spending of the public’s finances. A manager explains:

„A document [name of document withheld for confidentiality] that is a cabinet approved document that says these are the rates of return that Delta has to achieve in terms of its assets, these are the gearing ratios that it has to return, its dividend pay-out ratios, if you like the corporate finance aspects of the corporation reside within this ownership framework…” (CS31)

Further results suggest that Delta is happy to comply with demands from Treasury and shows no signs of resistance.

„That is effectively the structural mechanism by which I actually contemplate the CSO calculation for Delta. So that – that is if you like the bottom line against which the Treasurer is meant to be doing all of its assessment. So that’s all but also deals with all of our performance statements, all of the issues associated whether Delta
is achieving what it was set out to do in terms of its financial performance and commercial performance, that document is basically the governing document which determines whether Treasury is happy with the performance of the corporation." (CS31)

These results suggest that Delta’s management in dealing with Treasury employs a strategic response of acquiescence. Delta uses the tactic of compliance defined by Oliver (1991:152) as „conscious obedience to or incorporation of values, norms, or institutional requirements”. This finding is consistent with Oliver’s (1991) Hypothesis 1 (see Section 3.5.1.1).

8.7.2.2 Constituents: dependence
Delta depends on Treasury for revenue. This dependency has been at a moderate level from 2005 to 2007. However, it reduced in 2008 and 2009. Overall dependency is considered low. Table 8.4 presents a summary of revenue received by Delta from Treasury and from external sources. Oliver (1991) predicts when dependency is moderate the most likely strategic response will be avoidance. The three tactics of avoidance suggested by Oliver (1991:152) are conceal, disguising nonconformity; buffer, loosening institutional attachments and escape, changing goals, activities, or domains. However, there is no evidence to suggest that Delta responds to Treasury through the strategy of avoidance. When dependency is low (years 2008 and 2009), the strategic response most likely according to Oliver (1991) is one of defiance or manipulation. However, there was no evidence to suggest that a strategic response of defiance or manipulation was employed by Delta in response to demands from Treasury. The results suggest a strategic response of acquiescence and a tactic of habit or „following invisible, taken-for-granted norms” (Oliver 1991: 152) with Treasury”s demands. This finding is not expected when dependency is moderate or low. However, in Section 8.6.1 a manager comments on the „huge aid” Treasury is to Delta. The findings suggest that Treasury is viewed as an ally, and that, even when dependency is low, Delta will do what Treasury wants in order to maintain the alliance. This finding refutes Oliver”s (1991) Hypothesis 4 (see Section 3.5.1.2).
TABLE 8.4: SUMMARY OF REVENUE RECEIVED FROM THE STATE GOVERNMENT (IN $'000)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received from government</td>
<td>10,043</td>
<td>12,616</td>
<td>16,618</td>
<td>6,853</td>
<td>2,010</td>
</tr>
<tr>
<td>Other revenue</td>
<td>46,357</td>
<td>64,786</td>
<td>74,868</td>
<td>168,083</td>
<td>118,008</td>
</tr>
<tr>
<td>Total</td>
<td>56,400</td>
<td>77,412</td>
<td>81,487</td>
<td>176,046</td>
<td>121,018</td>
</tr>
<tr>
<td>% State government</td>
<td>17.81%</td>
<td>16.30%</td>
<td>18.17%</td>
<td>3.85%</td>
<td>1.66%</td>
</tr>
<tr>
<td>% Other</td>
<td>82.18%</td>
<td>83.70%</td>
<td>81.83%</td>
<td>86.05%</td>
<td>99.34%</td>
</tr>
</tbody>
</table>

Source: data collected from Delta’s annual reports on cash flows from operating activities.

8.7.2.3 Content: consistency
The findings indicate that Delta’s management acquiesce to the demands of Treasury. The tactic employed by Delta’s management in acquiescing to Treasury appears to be one of compliance or ‘‘obeying rules and accepting norms’’ (Oliver 1991:152). The findings suggest that there is high consistency between Treasury’s expectations and Delta’s organisational goals. Oliver (1991:165) suggests; ‘‘Organisations will be more willing to acquiesce to external pressures when these pressures or expectations are compatible with internal goals.’’ Management at Delta prepares annual reports and annual financial statements for Treasury. This finding is consistent with Oliver’s (1991) Hypothesis 5 (see Section 3.5.1.3).

8.7.2.4 Control: legal coercion
The means by which Treasury imposes control on Delta is through legal coercion, for example through the legislation under which financial statements are prepared. This control impacts on the way the public perceives Delta’s economic fitness and legitimacy. There is no indication from the data collected that management resists demands to prepare reports as demanded by Treasury. The results suggest that Delta complies with the requests of Treasury. Its strategic response is one of acquiescence. This result is consistent with Oliver’s (1991) Hypothesis 7 (see Section 3.5.1.4).
8.7.3 Summary of findings of Treasury as stakeholder

Management at Delta considers Treasury to be a **definitive** stakeholder. This study of the relationship between Treasury and Delta indicates that managers at Delta **acquiesce** to demands and requirements from Treasury. The tactic employed is one of compliance or **“obeying rules and expectations”** (Oliver 1991:152). When legitimacy is perceived to be gained and consistency is high, a strategic response of acquiescence is predicted and the results are consistent with this prediction by Oliver (1991). However, when dependency on a stakeholder is low to moderate, a strategic response of avoidance, defiance or manipulation is expected. This is not what the data reveal in the case of Delta. To the contrary, Delta acquiesces to demands from Treasury even though dependency on Treasury is considered low to moderate. Delta’s management responds by acquiescing to the demands of a definitive stakeholder. This finding is consistent with **Proposition P1a**.

8.8 COMMUNITY AS STAKEHOLDER

The analysis of interview data collected from Delta’s managers suggests that the community is perceived the least important of Delta’s stakeholders. The community is seen as less important than the government, the private sector and Treasury.

8.8.1 Stakeholder attributes

The results from this study indicate that the community is a **dominant** stakeholder. When a stakeholder possesses two attributes, Mitchell et al (1997:876) suggest **“their influence in the firm is assured…we characterise these stakeholders as „dominant‟, in deference to the legitimate claims and their ability to act on these claims.”** In Chapter 3, **Proposition P1b** proposed that where a dominant stakeholder exists a strategic response more towards the passive conformity rather than the proactive manipulation end of the strategic response continuum is expected.

As the community elects the government of the day, and as the government is Delta’s owner, the community therefore has the ability to influence Delta’s outcomes. According to Savage et al (1991:61) a stakeholder is considered to have **power** over the firm, if the stakeholder has **“an interest in the actions of an...”**
organisation and ... the ability to influence it". According to Langtry (1994:443) the basis for legitimacy in a relationship is when "the firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm."

Delta is responsible for the wellbeing of the community and cites its primary objective as:

"Delta’s primary objective is to provide social, economic and environmental benefits to the people of the State by creating, facilitating and, where appropriate, developing land-based opportunities."

The evidence from the data suggests that Delta’s management does not perceive that the attribute urgency is present in the community as a stakeholder. The results suggest that the community is a dominant stakeholder, that is, a stakeholder possessing both power and legitimacy but not urgency. According to Oliver (1991) the expectations of a dominant stakeholder will matter to management.

8.8.2 Predictive factors of strategic response

The analysis undertaken for this research suggests that the community does not place direct demands on Delta’s management. Therefore, it is not possible to predict or analyse strategic responses by Delta in this instance.

8.9 DISCUSSION OF THE CONCEPTUAL MODEL AROUND CASE DELTA

This chapter has described Delta’s operating environment and has determined that Delta provides CSOs as per the Productivity Commission definition of a CSO, as defined in Section 1.1, and also as per the characteristics presented in Table 2.2. The style of MCS in use at Delta is a diagnostic system.

The stakeholders with whom management at Delta interact have been identified and have been ranked in order of importance. The state government has been ranked most important, the private sector has been ranked next, Treasury has been ranked third, and the community is considered the least important and is ranked fourth.

Theory considers taking notice of stakeholders to be a function of the attributes that the stakeholders possess (Mitchell et al 1997). The government, ranked first in importance is deemed to be a definitive stakeholder, possessing power,
legitimacy and urgency. The private sector is considered to be a dominant stakeholder, meaning that Delta’s management perceives it to have power and legitimacy but not urgency. The community is also considered a dominant stakeholder. Treasury, even though ranked third in importance, is considered to be a definitive stakeholder, possessing all three attributes.

The findings of the analysis of Delta’s data about the state government are consistent with Oliver’s (1991) Hypotheses 1, 4, 5, and 7 and suggest that the overall response of management to demands from the state government was one of acquiescence. This finding is also consistent with Proposition P1a.

The findings with regards to the private sector as a stakeholder are consistent with Oliver’s (1991) Hypothesis 4, but they refute Hypothesis 1 and 5: even though consistency is low, Delta compromises with the private sector. The overall strategic response to demands from the private sector by Delta’s management is one of manipulation. This finding is consistent with proposition P2b.

The findings with regards to Treasury as a stakeholder are consistent with Oliver’s (1991) Hypothesis 1, 5 and 7 but they refute Oliver’s (1991) Hypothesis 4. The overall strategic response to Treasury from Delta’s management is acquiescence. This finding is consistent with proposition P1a.

8.10 SUMMARY
This chapter has presented the findings from the analysis of data collected pertinent to case Delta. All data were analysed through the conceptual framework. Chapter 9 discusses case Delta further in a cross-case analysis of the four cases.
CHAPTER 9 CROSS CASE ANALYSIS

9.1 INTRODUCTION
The purpose of this chapter is to present the findings which emerged following analysis across the four cases presented in Chapters 5 through 8. Firstly, the research questions are presented as well as a summary of the propositions, which were empirically tested in this current study. Secondly, the findings on CSOs are presented. Thirdly, the cross case findings following analysis of stakeholder attributes and importance through the Mitchell et al (1997) model is discussed. A discussion on the predictive factors of strategic response according the Oliver (1991) model is then presented.

This study collected and analysed data through the use of qualitative research methods including interviews, focus groups and document review. Participants in the study included managers from four cases and representatives from a Treasury department. The data were coded, analysed, and organised first by research question and then by categories and subcategories guided by the conceptual framework, as shown in Chapter 3. The study was based on the following six research questions:

1. How do government owned entities in the Australian land development industry define and respond to CSOs?

2. Who are the stakeholders in the environment of the Australian land development industry as perceived by managers of government owned organisations in this industry?

3. How important do managers of these organisations perceive these stakeholders to be?

4. What attributes do these stakeholders possess?

5. How do managers strategically respond to these stakeholders?

6. Does the strategic response of management indicate the type of management control system likely to be used in the organisation?

These six research questions were largely answered by the findings presented in Chapters 5 through 8, which provided insights to the phenomena under
study. The cases provided an empirical basis on which to examine support for the conceptual framework presented in Chapter 3. This chapter considers the results of all of the four cases in a cross case analysis. The discussion, while including what is similar between cases, also points out what is unique. Summaries of the findings across the cases are presented, in order to elaborate on the extent to which the observed results supported or challenged the conceptual framework presented in Chapter 3. A summary of the propositions from Chapter 3 is included in Table 9.1.

### TABLE 9.1 SUMMARY OF PROPOSITIONS

<table>
<thead>
<tr>
<th>Proposition no.</th>
<th>Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1a</td>
<td>The higher the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the passive conformity end of the strategic response continuum.</td>
</tr>
<tr>
<td>P1b</td>
<td>The lower the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the active resistance end of the strategic response continuum.</td>
</tr>
<tr>
<td>P2a</td>
<td>When a stakeholder possesses the attribute power, if the power is perceived to be coercive, the greater the likelihood of a strategic response more towards the passive conformity end of the strategic response continuum.</td>
</tr>
<tr>
<td>P2b</td>
<td>When a stakeholder possesses the attribute power, if the power is perceived to be symbolic, the greater the likelihood of a strategic response more towards the active resistance end of the strategic response continuum.</td>
</tr>
<tr>
<td>P3a</td>
<td>When management has high dependency on a stakeholder and legitimacy is perceived to be gained, the greater the likelihood of a strategic response more towards the passive conformity end of the strategic response continuum.</td>
</tr>
<tr>
<td>P3b</td>
<td>When management has low dependency on a stakeholder and legitimacy is perceived to be gained, consistency is high and control is enforced through legal coercion the likelihood remains of a strategic response more towards the passive conformity end of the strategic response continuum.</td>
</tr>
<tr>
<td>P4a</td>
<td>When management responds to a stakeholder’s demands by going above and beyond what is required, the greater the likelihood of management making use of both the diagnostic and the interactive management control system.</td>
</tr>
<tr>
<td>P4b</td>
<td>When management responds to a stakeholder’s demands by acquiescing to those demands, the greater the likelihood of an in-use diagnostic management control system.</td>
</tr>
</tbody>
</table>

#### 9.2 COMMUNITY SERVICE OBLIGATIONS (CSOs)

The four cases examined in this study provide CSOs. The way in which management at the cases use the definition, the method of funding CSOs, the provisions of CSOs, transparency, performance reporting and the MCS style of use in the organisations is discussed in the following sections.
9.2.1 Definition and characteristics

This section presents the cross case findings in relation to the definition and characteristics of a CSO. This study’s focus on the definition of a CSO, is interested in particular in whether the definition adopted by the organisations that is the PC definition or the respective state government definition impacts on the funding, transparency and performance reporting of CSOs. The characteristics of a CSO were presented earlier in this thesis see Table 2.2, in conjunction with the PC definition was the framework used to examine the entities activities in relation to CSOs. A summary of the findings is presented in Table 9.2.

### TABLE 9.2 SUMMARY OF FINDINGS RELATING TO CSO DEFINITION

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides CSO’s</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Definition</td>
<td>Alpha’s State government recommendation</td>
<td>Beta’s State government recommendation</td>
<td>Productivity Commission recommendation</td>
<td>Productivity Commission recommendation</td>
</tr>
</tbody>
</table>

Case Alpha provides CSOs and uses its state government recommended definition of a CSO. Case Beta also provides CSOs, and it too has adopted to use its state government’s recommended definition. Cases Gamma and Delta both adopted the Productivity Commission definition. Therefore the definition of a CSO differs across the states with only two of the four cases adopting the definition of a CSO as recommended by the Productivity Commission. It is important to note that all interviewees were informed the PC definition would be used for analysis purposes to ascertain if CSOs were provided for this research. All interviewees were given a copy of the PC recommended definition (in case they were unfamiliar with it) with interview questions prior to the interview taking place.

Management at one of the entities suggested the definition is irrelevant as it can be interpreted in many different ways and for different situations. Another manager suggested no CSOs were provided, however data analysed from
across the cases revealed all four cases provide CSOs according to the
definition of a CSO as recommended by the Productivity Commission see
Section 1.1. Regardless of the CSO definition used within the entities, CSOs
were provided by all four cases.

9.2.2 Funding
The data reveals two of the cases are directly funded for CSOs and two are not.
The two cases that are directly funded, Gamma and Delta, are those which
adopted the Productivity Commission definition. Alpha and Beta are not directly
funded for CSOs and chose to adopt their respective state governments’
recommended definitions. Interestingly, findings from cases Alpha and Beta
reveal a heavy focus on innovation and efficiency not evident in Gamma and
Delta. This focus on innovation and efficiency seems to be driven by the lack of
funding, indicating a positive benefit of not funding CSOs. The two cases
directly funded for CSOs do not appear to have a heavy focus on innovation
and efficiency. It is possible that entities that are fully funded are not driven to
be efficient or innovative as they are aware that regardless of performance
funding is available. Another possible reason for this is the organisation may be
uncomfortable implementing innovations with government’s money in case it
would be wasted.

| TABLE 9.3 SUMMARY OF FINDINGS RELATING TO CSO FUNDING |
|-------------|-------------|-------------|-------------|
| Funding     | Alpha       | Beta        | Gamma       | Delta       |
|             | Not always  | Not directly| Directly funded | Directly funded |

9.2.3 Transparency
The findings reveal that there is a lack of transparency in terms of the costs of
CSOs. The prior literature suggested (see Section 2.4.4) that direct funding of
CSOs could make the costs transparent. However, the data from this study
reveals that in case Delta, which is directly funded for CSOs, its CSOs costs are
not transparent. This may be due to the way in which CSOs are reported. In
some instances a CSO is identified in the financial statements as something
other than a CSO for example „Administered items“, see Section 8.3.3. Gamma’s CSOs are directly funded and their costs are transparent. The two
cases Alpha and Beta that are not directly funded for CSOs are not transparent in terms of the costs of CSOs. While these two cases may not be transparent in terms of CSOs costs, their focus on innovation and efficiency may be an acceptable tradeoff.

### TABLE 9.4 SUMMARY OF FINDINGS RELATING TO CSO TRANSPARENCY

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency</td>
<td>Costs not transparent</td>
<td>Costs not transparent</td>
<td>Costs transparent</td>
<td>Costs not transparent</td>
</tr>
</tbody>
</table>

9.2.4 Performance reporting

Concerns regarding the impact of CSOs on the performance of corporatised government entities was raised by the Productivity Commission in 1994 (see Section 2.4.5). Since then it appears little has changed. The costs of CSOs are not transparent at Alpha, Beta or Delta and it seems to follow that CSOs are not reported. Gamma’s CSO costs are transparent but CSO performance is not reported in the annual report. However a report identifying completed CSO projects is delivered to the responsible Minister. Therefore there is no formal reporting of CSO performance by any of the entities in their annual reports. Table 9.5 presents a summary of findings related to CSOs performance reporting. This finding is consistent with that of Laine (2009) where he "suggests that corporate sustainability reporting appears to be more a matter of responding to external pressures than an ambition towards discharging accountability."
TABLE 9.5 SUMMARY OF FINDINGS RELATING TO CSO PERFORMANCE REPORTING

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance reporting</td>
<td>No performance reporting within the annual report on achievements identified as CSOs.</td>
<td>No performance reporting within the annual report on achievements identified as CSOs.</td>
<td>No performance reporting within the annual report on achievements identified as CSOs.</td>
<td>No performance reporting within the annual report on achievements identified as CSOs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social and environmental outcomes reported but not identified within the report as CSOs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 9.2.5 Management control system - style of use
The style of MCS in use within the four cases was analysed according to Simons" (1995) determinants discussed in Section 2.7. Cases Alpha, Gamma and Delta all reveal use of the diagnostic system. Only case Beta demonstrated use of a dynamic control system that is a MCS with elements of both the diagnostic and interactive systems. Table 9.6 presents the findings related to MCS style of use within the four cases analysed for this study.

TABLE 9.6 SUMMARY OF FINDINGS RELATING TO MCS STYLE OF USE

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCS style of use</td>
<td>Diagnostic</td>
<td>Diagnostic</td>
<td>Diagnostic</td>
<td>Diagnostic</td>
</tr>
<tr>
<td></td>
<td>Interactive</td>
<td>Dynamic</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9.3 STAKEHOLDER IDENTIFICATION AND IMPORTANCE
A cross case analysis was conducted to identify the similarities and the differences of the stakeholders as perceived by management and the importance of these stakeholders. This was determined by the relative frequency of the number of times stakeholders were mentioned in the interviews. Respondents revealed these stakeholders with no prompting from
the researcher. The findings in relation to stakeholders are presented in Table 9.7.

**TABLE 9.7 SUMMARY OF FINDINGS RELATING TO STAKEHOLDER IDENTIFICATION AND IMPORTANCE**

<table>
<thead>
<tr>
<th>Case</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>80 (45)</td>
<td>23 (25)</td>
<td>60 (49)</td>
<td>66 (52)</td>
<td>229 (43)</td>
</tr>
<tr>
<td>Private sector</td>
<td>47 (27)</td>
<td>30 (32)</td>
<td>12 (10)</td>
<td>36 (29)</td>
<td>125 (25)</td>
</tr>
<tr>
<td>Community</td>
<td>20 (11)</td>
<td>22 (23)</td>
<td>15 (12)</td>
<td>3 (2)</td>
<td>60 (12)</td>
</tr>
<tr>
<td>Treasury</td>
<td>10 (6)</td>
<td>6 (6)</td>
<td>12 (10)</td>
<td>9 (9)</td>
<td>39 (8)</td>
</tr>
<tr>
<td>Board and executives</td>
<td>11 (6)</td>
<td>4 (4)</td>
<td>3 (3)</td>
<td>8 (6)</td>
<td>26 (5)</td>
</tr>
<tr>
<td>Others</td>
<td>9 (5)</td>
<td>9 (10)</td>
<td>20 (16)</td>
<td>2 (2)</td>
<td>40 (8)</td>
</tr>
<tr>
<td>Total</td>
<td>177 (100)</td>
<td>94 (100)</td>
<td>122 (100)</td>
<td>126 (100)</td>
<td>519 (100)</td>
</tr>
</tbody>
</table>

Note: numbers within parentheses are percentages
Traditionally, institutional theorists focused on a two party framework of stakeholders for public sector organisations, namely funding bodies and professional services. This traditional two party framework was broadened by Brignall and Modell (2000) to include a third party: the purchasers of public services. The findings from this research suggest further broadening of this framework to include the private sector. Prior research did not present any empirical evidence to determine stakeholders. On finding this gap in the literature, this current research sought to present empirical evidence of stakeholders important in the public sector context. Consistent with prior research, funding bodies are government and Treasury. “Community” in this research is a proxy for purchasers. In contrast to prior research, there was no
mention of professional bodies. In addition to stakeholders identification in prior research, the private sector was identified as competitor and as partner.

It is noted all four cases revealed the same stakeholders as important, albeit in different ranking order. The four stakeholders identified are: the state government, the private sector, the community and Treasury. From the findings presented in Table 9.7, the overall view is that the government is the most important stakeholder (43%). The private sector was the second most important (25%), followed by the community (12%) and Treasury (8%). The findings suggest the private sector stakeholder is very important and significant. This finding is specific to the property development industry in Australia in which government owned entities operate. It does not attempt to generalise for all public sector environments. The private sector is at times a purchaser of products and at other times has contractual arrangements to work in partnership with the government-owned entities. The government owned entities depend on the private sector to meet their organisational objectives.

The findings suggest there is significant commonality between cases as shown in Table 9.7. Three of the four cases rank government as their most important stakeholder; Beta is the exception with less of a focus on the government (25%). The other three cases have a similar heavy focus on the government, Alpha (45%), Gamma (49%) and Delta (52%). It is also noted that the managers all identify the [state] government and the [state] Treasury as two separate stakeholders, even though Treasury is an arm of government.

Three of the four cases rank the private sector next in importance, Gamma is the exception with a low focus of only (10%) compared to the other three stakeholders who share a similar emphasis on the private sector, Alpha (27%), Beta (32%) and Delta (29%).

Three of the cases rank community as third in level of importance. Delta is the exception with an extremely low focus on community (2%). Beta has the highest focus on the community (23%) and Alpha and Gamma have a similar focus on the community of (11%) and (10%) respectively.
Three of the four cases rank Treasury as the least important stakeholder. Delta is the exception, although all cases have a very similar focus on Treasury, Alpha (6%), Beta (6%), Gamma (10%) and Delta (9%). The differences between the cases were discussed in each case analysis chapter but overall these are the four major shareholders. Following the identification of stakeholders, the attributes of all stakeholders as perceived by management and revealed through interview data was examined.

9.4 STAKEHOLDER ATTRIBUTES
Cross case analysis of stakeholder attributes findings are presented below. Table 9.8 shows the type of stakeholder identified based on the attributes of power, legitimacy and urgency as posited by Mitchell et al (1997). A stakeholder who possesses three attributes is considered a definitive stakeholder. A dominant stakeholder possesses two attributes, power and legitimacy but no urgency. The type of power the stakeholder possesses is also considered important as outlined in propositions P2a and P2b. The government was perceived to have coercive power and the private sector was perceived to have symbolic power only as discussed in the within case analysis chapters.

<table>
<thead>
<tr>
<th>Case</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Definitive</td>
<td>Definitive</td>
<td>Definitive</td>
<td>Definitive</td>
<td>Definitive</td>
</tr>
<tr>
<td>Private sector</td>
<td>Dominant</td>
<td>Dominant</td>
<td>Dominant</td>
<td>Dominant</td>
<td>Dominant</td>
</tr>
<tr>
<td>Community</td>
<td>Dominant</td>
<td>Dominant</td>
<td>Dominant</td>
<td>Dominant</td>
<td>Dominant</td>
</tr>
<tr>
<td>Treasury</td>
<td>Definitive</td>
<td>Definitive</td>
<td>Definitive</td>
<td>Definitive</td>
<td>Definitive</td>
</tr>
</tbody>
</table>

The government and Treasury were considered definitive stakeholders possessing all three attributes, power, legitimacy and urgency. The private sector and the community were considered dominant stakeholders possessing legitimacy and power but having no urgent claims. It is noted that even though Delta display a very low focus on the community at (2%), management still consider the community a dominant stakeholder.
The findings demonstrate that management at all four cases has a consistent view on the attributes the identified stakeholders possess, even if the emphasis is slightly different. Management from the four cases agreed not only on the stakeholders important to their organisations, but also agreed on the identified stakeholder typology.

9.5 PREDICTIVE FACTORS OF STRATEGIC RESPONSE
Oliver (1991) predicted five factors which could theoretically influence the strategic response of management to institutional pressures. A cross case analysis was conducted to determine overall what factors influenced the strategic response of management. The findings for each stakeholder identified earlier namely, the government, private sector, the community and Treasury are presented below.

9.5.1 Cross case analysis of government as stakeholder
The government, perceived by managers as the most important stakeholder overall, is discussed first. A summary of the cross case findings is presented in Table 9.9 which shows the strategic responses of management to demands from the government.
TABLE 9.9 STRATEGIC RESPONSE AND TACTICS EMPLOYED WITH GOVERNMENT

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legitimacy</strong></td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><em>(acquiesce)</em></td>
<td><em>(entrepreneurial)</em></td>
<td>(innovative)</td>
<td><em>(acquiesce)</em></td>
<td><em>(acquiesce)</em></td>
</tr>
<tr>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
<td>(innovative)</td>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
</tr>
<tr>
<td><strong>Dependence</strong></td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><em>(acquiesce)</em></td>
<td><em>(entrepreneurial)</em></td>
<td>(innovative)</td>
<td><em>(acquiesce)</em></td>
<td><em>(acquiesce)</em></td>
</tr>
<tr>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
<td>(innovative)</td>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
</tr>
<tr>
<td><strong>Consistency</strong></td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><em>(acquiesce)</em></td>
<td><em>(entrepreneurial)</em></td>
<td>(innovative)</td>
<td><em>(acquiesce)</em></td>
<td><em>(acquiesce)</em></td>
</tr>
<tr>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
<td>(innovative)</td>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
</tr>
<tr>
<td><strong>Legal coercion</strong></td>
<td><em>(acquiesce)</em></td>
<td><em>(acquiesce)</em></td>
<td><em>(acquiesce)</em></td>
<td><em>(acquiesce)</em></td>
</tr>
<tr>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
<td><em>(compliance)</em></td>
</tr>
<tr>
<td><strong>Strategic response</strong></td>
<td>Acquiesce</td>
<td>Entrepreneurial</td>
<td>Acquiesce</td>
<td>Acquiesce</td>
</tr>
<tr>
<td><strong>Tactic</strong></td>
<td>Compliance</td>
<td>Innovative</td>
<td>Compliance</td>
<td>Compliance</td>
</tr>
<tr>
<td><strong>Consistent with theory</strong></td>
<td>Yes</td>
<td>Yes plus expands theory</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Underline = Strategy
Italic = Tactic

The cross case analysis demonstrates the similarity between the perception of managers across all cases on legitimacy. The managers interviewed from all cases perceive legitimacy is gained by acquiescing and complying with the demands of the government. They were in agreement that they were dependent on the government for survival. However, Beta appeared different to the other cases in the way it dealt with the government. Beta demonstrated an entrepreneurial style of strategic response, often going above and beyond what was legislated and continuing to search for solutions and new ways of doing things. All cases were consistent in their perceptions on the high consistency that existed between their organisational goals and the demands.
of the government. In all cases the form of control imposed on the organisations was through legal coercion, in other words the power of government is perceived as coercive. Overall, the cross case analysis suggests all cases comply with and acquiesce to the demands of the government. The only difference between the cases is that Beta appears to go „above and beyond” what is expected. The findings concur with Oliver's (1991) model, that when legitimacy is perceived to be gained, when dependency is high, when consistency is high and control is imposed through legal coercion the likely strategic response is acquiescence. However, the Oliver (1991) model does not appear to have a „fit” for the strategic response of Beta”s management who demonstrated going „above and beyond” what was required. This gap in Oliver's (1991) model has previously been identified by Abernethy and Chua (1996) as discussed in Chapter 6.

As can be seen from table 9.9, the overall findings from this cross case analysis concur with proposition P1a and P2a.

<table>
<thead>
<tr>
<th>P1a</th>
<th>The higher the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the passive conformity end of the strategic response continuum.</th>
</tr>
</thead>
</table>

This finding extends institutional and stakeholder theory and suggests that perhaps these two theories could be combined informing us on the likely strategic responses of management to particular types of stakeholders.

<table>
<thead>
<tr>
<th>P2a</th>
<th>When a stakeholder possesses the attribute power, if the power is perceived to be coercive, the greater the likelihood of a strategic response more towards the passive conformity end of the strategic response continuum.</th>
</tr>
</thead>
</table>

This finding suggests that the attribute power should be defined further indicating the type of power for example whether coercive or symbolic rather than power in a general sense.
9.5.2 Cross case analysis of the private sector as stakeholder

Overall, the private sector was considered the second most important stakeholder. The cross case findings for the private sector are presented in Table 9.10 which shows the responses of management to demands from the private sector.

**TABLE 9.10 STRATEGIC RESPONSE AND TACTICS EMPLOYED WITH THE PRIVATE SECTOR**

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimacy</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>(manipulation)</td>
<td>(compromise)</td>
<td>(manipulation)</td>
<td>(control)</td>
</tr>
<tr>
<td>Dependence</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>(manipulation)</td>
<td>(compromise)</td>
<td>(manipulation)</td>
<td>(co-opting)</td>
</tr>
<tr>
<td>Consistency</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>(manipulation)</td>
<td>(compromise)</td>
<td>(manipulation)</td>
<td>(pacify)</td>
</tr>
<tr>
<td>Strategic</td>
<td>Manipulation</td>
<td>Manipulation</td>
<td>Manipulation</td>
<td>Manipulation</td>
</tr>
<tr>
<td>response</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tactic</td>
<td>Co-opting</td>
<td>Co-opting</td>
<td>Co-opting</td>
<td>Variety employed</td>
</tr>
<tr>
<td>Consistent with theory</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The managers from all four cases have similar perceptions that legitimacy is gained by their organisations in dealing with the private sector. However, there is one difference in the strategic responses to the private sector. Beta at times demonstrates a strategic response of compromise but all other cases appear to manipulate the private sector. The tactics the cases employed also differed across cases. Gamma appeared to co-opt the private sector while Delta took a more aggressive approach at times with a tactic of control; Alpha also enacted control at times. Beta in responding through compromise appeared to pacify.
the private sector. All cases appeared to be in agreement that they depended on the private sector. All cases were in agreement that there was low consistency between the private sector and their organisations. Overall all cases reacted in a similar way by strategically responding through manipulation and co-opting the private sector.

*The overall finding from this cross case analysis on the private sector is inconsistent with proposition P1b and consistent with P2b.*

<table>
<thead>
<tr>
<th>P1b</th>
<th>The lower the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the active resistance end of the strategic response continuum.</th>
</tr>
</thead>
</table>

This finding extends institutional and stakeholder theory and suggests that perhaps these two theories could be combined informing us on the likely strategic responses of management to particular types of stakeholders.

<table>
<thead>
<tr>
<th>P2b</th>
<th>When a stakeholder possesses the attribute power, if the power is perceived to be symbolic, the greater the likelihood of a strategic response more towards the active resistance end of the strategic response continuum.</th>
</tr>
</thead>
</table>

This finding suggests the attribute power needs to be more clearly defined in conducting analysis.

**9.5.3 Cross Case Analysis of Treasury as Stakeholder**

Although Treasury is a definitive stakeholder, it was considered the least important stakeholder overall. The findings from the cross cases analysis against the predictive factors of strategic response are presented in Table 9.11 that shows the responses of management to demands from the Treasury.
<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legitimacy</strong></td>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
</tr>
<tr>
<td></td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
</tr>
<tr>
<td></td>
<td>(compliance)</td>
<td>(compliance)</td>
<td>(compliance)</td>
<td>(compliance)</td>
</tr>
<tr>
<td><strong>Dependence</strong></td>
<td><strong>Low</strong></td>
<td><strong>Low</strong></td>
<td><strong>Low</strong></td>
<td><strong>Low</strong></td>
</tr>
<tr>
<td></td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
</tr>
<tr>
<td></td>
<td>(habit)</td>
<td>(habit)</td>
<td>(habit)</td>
<td>(habit)</td>
</tr>
<tr>
<td><strong>Consistency</strong></td>
<td><strong>Low</strong></td>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
<td><strong>High</strong></td>
</tr>
<tr>
<td></td>
<td>(defiance)</td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
</tr>
<tr>
<td></td>
<td>(challenge)</td>
<td>(compliance)</td>
<td>(compliance)</td>
<td>(compliance)</td>
</tr>
<tr>
<td><strong>Legal coercion</strong></td>
<td><strong>(acquiesce)</strong></td>
<td><strong>(acquiesce)</strong></td>
<td><strong>(acquiesce)</strong></td>
<td><strong>(acquiesce)</strong></td>
</tr>
<tr>
<td><strong>Strategic response</strong></td>
<td>Acquiesce</td>
<td>Acquiesce</td>
<td>Acquiesce</td>
<td>Acquiesce</td>
</tr>
<tr>
<td><strong>Tactic</strong></td>
<td>Compliance</td>
<td>Compliance</td>
<td>Compliance</td>
<td>Compliance</td>
</tr>
<tr>
<td><strong>Consistent with theory</strong></td>
<td>Yes with the</td>
<td>Yes with the</td>
<td>Yes with the</td>
<td>Yes with the</td>
</tr>
<tr>
<td></td>
<td>exception of the</td>
<td>exception of the</td>
<td>exception of the</td>
<td>exception of the</td>
</tr>
<tr>
<td></td>
<td>exception of the</td>
<td>low dependency</td>
<td>low dependency</td>
<td>low dependency</td>
</tr>
<tr>
<td></td>
<td>low dependency</td>
<td>on Treasury</td>
<td>on Treasury</td>
<td>on Treasury</td>
</tr>
</tbody>
</table>

Management of all cases had a similar view of gaining legitimacy by meeting the demands of Treasury. Management of all the cases strategically responded by **acquiescing** to the demands of Treasury. The tactic employed was also similar across the cases indicating **compliance**. All cases were dependent on Treasury but this dependency was considered low. Even though dependency was low, all cases strategically responded to Treasury by acquiescence. This finding is inconsistent with Oliver’s (1991) theory. This finding suggests that even though dependency is low, there is control in the form of legal coercion.
and therefore could suggest that the predictive factor of control is more influential than dependency.

There was similarity in three of the four cases in management’s perception of consistency between demands from Treasury and their organisational goals, with all three entities complying through habit with their demands. Management at Alpha had a different view, considering that consistency was low at times. The strategic response taken when consistency was perceived to be low was defiance with the tactic of challenge being employed. This defiance appeared to occur when management perceived they were being asked to do something outside the activities dictated by legislation.

The way in which control was imposed was similar across all cases and the data suggested control was employed through legal coercion. Overall the strategic responses of management at all cases were acquiescence to the demands from Treasury.

*This cross case analysis finding is consistent with proposition P1a and proposition P3b.*

<table>
<thead>
<tr>
<th>P1a</th>
<th>The higher the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the passive conformity end of the strategic response continuum.</th>
</tr>
</thead>
<tbody>
<tr>
<td>P3b</td>
<td>When management has low dependency on a stakeholder and legitimacy is perceived to be gained, consistency is high and control is enforced through legal coercion the likelihood remains of a strategic response more towards the passive conformity end of the strategic response continuum.</td>
</tr>
</tbody>
</table>

Previous research suggests that when there is low dependency on a stakeholder, the strategic response of management will be to resist the demands of the stakeholder. However, this findings from this research suggests that even when dependency is low, other factors are considered by management that is legitimacy, consistency and the type of power and that these attributes will be more dominant over dependency when inform managements strategic response to stakeholders demands.
9.5.4 Cross case analysis of the community as stakeholder

The community was perceived by management to be the third most important stakeholder after the government and the private sector. The cross case analysis is presented in Table 9.12. The findings from the within case analysis demonstrated that demands from the community were evident in only cases Beta and Gamma. Therefore this cross case analysis discusses only case Beta and Gamma in the context of the community.

**TABLE 9.12 STRATEGIC RESPONSE AND TACTIC’S EMPLOYED WITH THE COMMUNITY**

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimacy</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>(acquiesce)</td>
<td>(acquiesce)</td>
</tr>
<tr>
<td></td>
<td>(compliance)</td>
<td>(compliance)</td>
</tr>
<tr>
<td>Strategic response</td>
<td>Acquiescence</td>
<td>Acquiesce</td>
</tr>
<tr>
<td>Tactic</td>
<td>Compliance</td>
<td>Compliance</td>
</tr>
</tbody>
</table>

The cross case analysis suggests management perceived legitimacy was gained by meeting the demands of the community. The overall strategic response was one of acquiescence.

*The findings from this cross case analysis are inconsistent with proposition P1b.*

<table>
<thead>
<tr>
<th>P1b</th>
<th>The lower the number of attributes the stakeholder possesses the greater the likelihood of a strategic response towards the active resistance end of the strategic response continuum.</th>
</tr>
</thead>
</table>

This finding suggests that even though the number of attributes of a stakeholder can be low, other factors impact on the response taken by management. This finding suggests that legitimacy in a relationship is considered to be a very important factor by management and will impact heavily on their decision making, over-riding stakeholder attributes.

<table>
<thead>
<tr>
<th>P3a</th>
<th>When management has high dependency on a stakeholder and legitimacy is perceived to be gained, the greater the likelihood of a strategic response more towards the passive conformity end of the strategic response continuum.</th>
</tr>
</thead>
</table>
When management responds to a stakeholder’s demands by going above and beyond what is required, the greater the likelihood of management making use of both the diagnostic and the interactive management control system.

When management responds to a stakeholder’s demands by acquiescing to those demands, the greater the likelihood of an in-use diagnostic management control system.

The study provided insufficient evidence with which to evaluate the above three propositions, that is P3a, P4a and P4b.

9.7 SUMMARY
This chapter has presented the cross case analysis findings from this current study. It has presented and has discussed the findings relating to the definition, funding, transparency and performance measurement of CSOs. It has identified the stakeholders important to management across the cases and it offered an explanation as to why managers strategically respond in the way they do to stakeholders, and why certain factors are seen to influence their decision. This chapter has provided a holistic and integrated synthesis of the four cases. It has shown that some theoretical propositions are supported, but some are not. The final chapter explores the theoretical advances, which results from the research.
CHAPTER 10 CONCLUSION

10.1 INTRODUCTION
This chapter aims to meet a number of objectives. It presents the main theoretical contributions of the study, and identifies some of the limitations. Finally, the chapter concludes with some recommendations for further research.

10.2 THEORETICAL CONTRIBUTIONS
There are a number of research contributions arising from this study. There has been considerable empirical research on entities within the public sector but empirical research in the management of the multiple stakeholders in this environment is scant. While the stakeholders in the public sector environment are discussed often in the literature, there is no empirical evidence of which the author is aware to suggest who these stakeholders are. Thus, the first major contribution of this study is the presentation of findings based on empirical evidence to demonstrate who the stakeholders are in an environment where government owned corporatised organisations exist. The findings from this study suggest there is a fourth significant player within the corporatised public sector arena not previously identified. This significant stakeholder is identified in this study as the private sector. Therefore, I suggest an expansion of the three influential stakeholders in the new public sector previously identified in the literature and present the following model adapted from Brignall and Modell (2000).

**Funding bodies:**
- Financial results

**Private sector:**
- Competitors
- Partners

**Focal organisation**

**Professional groups within provider organisations:**
- Innovation
- Quality

**Purchasers:**
- Quality
- Resources utilization
- Competitiveness

Source: Adapted from Brignall and Modell (2000)
The selection of the property development industry with a focus on the government owned entities is relevant given the housing crisis in Australia today and given the highly institutionalised environment of public sector organisations. As well as existing in a highly institutionalised environment, this industry gives us the opportunity to gain insight into the management of multiple stakeholders with conflicting objectives thus providing insights as to the joint influence of stakeholder and institutional factors on strategic response of managers. However, as the data was collected and the interviews carried out in government owned corporatised entities, it is possible that this study has wider applicability, which strengthens the findings.

Thus, a second contribution of this research is the integration of existing stakeholder and institutional theories. This integration of the two models affords us new insights into the strategic response managers take to the different stakeholder types. Thus this study integrates a powerful framework from the field of institutional theory and strategy in a management accounting setting. This study establishes the usefulness of both the Mitchell et al (1997) and the Oliver (1991) models for the purpose of depicting the institutional environment. The findings from converging the two theories extend our knowledge of how managers strategically respond (Oliver 1991) to certain identified types of stakeholders (Mitchell et al 1997). Previous researchers examining the relationship of stakeholders with management of the organisations have not considered the impact of the stakeholder type on management strategic action. The combination of the Mitchell et al (1997) model with the Oliver (1991) model allows this to happen.

A third contribution of this study is the finding that at times management goes above and beyond what stakeholders demand. The Oliver (1991) model has no "fit" for this type of strategic response. This finding offers empirical evidence and lends support to Abernethy and Chua"s (1996:597) suggestion that "Oliver's (1991) list of strategic responses did not envisage a situation where organisations go beyond what is required by key stakeholders." Therefore I
suggest the Oliver (1991) model be extended to include an active and positive response and suggest the following extended model.

**Strategic responses to institutional processes extended**

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Tactics</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial</td>
<td>Innovation</td>
<td>Going above and beyond stakeholder demands</td>
</tr>
<tr>
<td>Acquiesce</td>
<td>Habit</td>
<td>Following invisible, taken-for-granted norms</td>
</tr>
<tr>
<td></td>
<td>Imitate</td>
<td>Mimicking institutional models</td>
</tr>
<tr>
<td></td>
<td>Comply</td>
<td>Obeying rules and accepting norms</td>
</tr>
<tr>
<td>Compromise</td>
<td>Balance</td>
<td>Balancing the expectations of multiple constituents</td>
</tr>
<tr>
<td></td>
<td>Pacify</td>
<td>Placating and accommodating institutional elements</td>
</tr>
<tr>
<td></td>
<td>Bargain</td>
<td>Negotiating with institutional stakeholders</td>
</tr>
<tr>
<td>Avoid</td>
<td>Conceal</td>
<td>Disguising nonconformity</td>
</tr>
<tr>
<td></td>
<td>Buffer</td>
<td>Loosening institutional attachments</td>
</tr>
<tr>
<td></td>
<td>Escape</td>
<td>Changing goals, activities or domains</td>
</tr>
<tr>
<td>Defy</td>
<td>Dismiss</td>
<td>Ignoring explicit norms and values</td>
</tr>
<tr>
<td></td>
<td>Challenge</td>
<td>Contesting rules and requirements</td>
</tr>
<tr>
<td></td>
<td>Attack</td>
<td>Assaulting the sources of institutional pressure</td>
</tr>
<tr>
<td>Manipulate</td>
<td>Co-opt</td>
<td>Importing influential constituents</td>
</tr>
<tr>
<td></td>
<td>Influence</td>
<td>Shaping values and criteria</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>Dominating institutional constituents and processes</td>
</tr>
</tbody>
</table>

The findings of the study generally support the Mitchell et al (1997) and the Oliver (1991) framework.

A fourth contribution from the study is that management responses to stakeholder pressures are not necessarily influenced by a factor in isolation but that it is consideration of a coalition of factors that define the management strategic response. The study finds for example that when dependency on a definitive stakeholder is low, and legitimacy is perceived to be gained,
consistency is high and control is enforced through legal coercion the likelihood remains of a strategic response more towards the passive conformity end of the strategic response continuum.

A fifth contribution of the study is that it is not just "power" that influences the strategic response of management but that the type of power is important, whether it is coercive or symbolic. The findings from this current study suggest coercive power will have a greater impact on the response management take. The study also contributes to the emerging line of research that provides empirical tests for the levers of control model proposed by Simons (1995).

A sixth contribution is a description of how CSOs are applied in practice in corporatised government owned entities. This research shed light on the ambiguities regarding the definition and provision of CSOs. It also revealed the difficulties facing managers in dealing with these ambiguities.

A further contribution is the notion that government is not a single entity but has at least two elements: the relevant Minister and department, and Treasury. This research reveals these two elements may have conflicting objectives resulting in tension for management between meeting the objectives of "making money" (Treasury) and providing "CSOs" (the relevant Minister and/or department).

Finally, in relation to contributions, the study demonstrates that the management control systems in use by an organisation could possibly be predicted based on the strategic response managers take to demands from stakeholders, indicating that a more dynamic control system which includes elements of diagnostic and interactive are found where organisations” management are more entrepreneurial in their approach to business. A diagnostic system appears to be more common where acquiescence is the major strategic response.

10.3 LIMITATIONS OF THE RESEARCH

Limitations which are typically associated with qualitative research were addressed in Chapter 4, including a discussion of the steps taken to minimise these limitations. Specifically, the limitations of case study research are discussed in Section 4.6.1 and interview limitations are discussed in Section
4.11.3. Mitigation strategies including triangulation to preserve data credibility were implemented at all stages of the research, as discussed in Chapter 4.

Another limitation to be addressed is the use of „number of times mentioned“ approach to identifying stakeholders. This approach was taken as the researcher did not want to pre-empt the respondents to stakeholders but wanted to allow the stakeholders to evolve from the data. A shortcoming of this research is arguably there are only four cases and one industry researched. To mitigate this limitation, data was gathered from the entire population within the field. However, the use of qualitative methods limits the generalisability of the findings. It is important to remember that the results presented can only be generalised within the context of this study and achieve theoretical generality and do not claim statistical generality. It is also important to mention the significant contribution this sector makes to the economy and therefore the contributions to this sector alone are in their own right valuable. However, large-scale studies could be conducted to further build theory in this field.

The strength of the study is that the findings do have a theoretical application. Also, the entire population of the industry was interviewed for this study. A multi-theoretical framework was employed that integrated two existing theories. Thus, the findings have theoretical application, contributing to further theory building in this field.

10.4 OPPORTUNITIES FOR FURTHER RESEARCH

This study sought to contribute to an area of research that remains under developed: post corporatisation activities of public sector organisations. It is immediately apparent that further studies in other industries and on a larger scale could demonstrate support for the findings of this study or confirm that these findings can be generalised to this industry and these cases only.

A trend towards corporatisation and the forming of partnerships and dependency on the private sector to meet government objectives has major consequences for control and performance monitoring and organisational outcomes. Further work in this area would seem justified given the recent number of public-private partnerships emerging in many different sectors.
10.5 CONCLUDING COMMENTS

This research has led to several key findings that can advance theory. Public sector organisations in the Australian property development industry were the setting for the current study. New insights that emerged from the study included the importance of the private sector as a stakeholder in the industry, the manipulation of this sector by the government owned entities in this industry. While manipulation often conjures up negative images the manipulation evident here was for positive outcomes for the local communities. This research also shed light on a strategic response, an active and positive strategic response to stakeholder demands, which had not previously been considered in the literature within the models used for this research.

This chapter provided an overview of the key findings and contributions. The findings arose from the analysis of results given the conceptual framework and propositions that guided the study. Additionally, some important limitations of the research were identified. Finally, suggestions were provided about the possibilities of advancing research and further developing theory in this field.

16 Also, there is much more data available but thesis word limits constrain the entry of further data in the thesis.
APPENDICES

Appendix A: Invitation to participate in research
Dear Participant,

I am currently conducting doctorate research under the supervision of Professor Terry Burke and Professor Louise Kloot at Swinburne University. I am hoping you may be willing to assist.

My research project focuses on the management of community service obligations (CSOs) in the modern public sector and I would like to use as case studies, government property development enterprises in Australia as these entities find themselves in the unique position of pursuing a commercial rate of return on one hand while on the other hand providing community service obligations as directed by Government (seemingly conflicting objectives). Researching this tension and the problems of measurement of these outcomes is a key objective of the research.

I would sincerely appreciate your participation, however if you are not appropriate could you recommend somebody who is. I will call you within the next week to discuss the research further and with further details on the project.

Many thanks and please feel free to contact me should you have any queries.

Kind regards,

Grainne Oates

Ph: 9214-5180
Appendix B: Interview Guide Case Study Questions
The following questions will form the basis for the formal interviews undertaken as part of the case study work. The formal questions will be asked of all participants, and it is likely other questions will be asked depending on the direction the discussion takes. The purpose of these questions and the reasons they are being asked is to establish how corporatised statutory authorities or government-trading enterprises (GTE) balance and prioritise their Community Service Obligations (CSOs) with getting a commercial rate of return for the business.

Definitions:
GTE/Statutory
A GTE/Statutory Authority is defined by The Rae Committee 1979 as an „An office or organisation, corporate or unincorporated, constitute by or pursuant to powers conferred by Act of Parliament whose functions and authority are derived wholly or principally from Act of Parliament or from subordinate legislation made there under."

CSO
A CSO is defined by the Steering Committee on National Performance Monitoring of Government Trading Enterprises (GTE) (1994) as follows: „A Community Service Obligation arises when a government specifically requires a public enterprise to carry out activities relating to outputs or inputs which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sectors to generally undertake, or which it would only do commercially at higher prices”.

Outcomes and Outputs
Outcome is not to be confused with output. Outcomes are defined by the Australian National Audit Office (2007:11) as „The results or impacts on the community or the environment that the Government intends to achieve” whereas Outputs are „The actual deliverables agencies produce to generate the desired outcomes specified by the government".
Questions Guide:
The following questions are a general guide to the type of questions to be asked at interview.

Interview questions for executive management
What has been your experience working for a government entity?
What are the main factors, which assist or hinder your ability to achieve CSOs?
How are CSOs reported and to whom are they reported?
Do you have multiple CSOs? What are they and how do they differ?
How in your opinion is it possible for a corporatised government entity to balance or prioritise a commercial rate of return with CSOs?
To what degree do you think a corporatised government entity is different to a private sector business, operating in the same area? How is this difference manifested?
What groups impact on the decision to deliver CSOs?
What factors or resources/ and or barriers could potentially enable or limit the ability to achieve good CSO outcomes?
What in your opinion is the best way to deal with CSOs under the direction of a government entity (eg in terms costing and reporting)
Listed are some supplementary topics
- Conflict resolution
- Rejection of CSOs
- CSO performance indicators
- Difference from private sector business
- CSO Recipients
Appendix C: Letter to confirm interviews with participants

Project title: An investigation into Community Service Obligation (CSO)s in the Government Owned Sector of the Property Development Industry

Dear Participant,

This letter is a follow-up to your call of dd/mm/yyyy to verify our appointment for xxxx am on the dd/mm/yyyy at your office, street name, city.

As I indicated in my email, I am undertaking doctoral research, under the supervision of Professor Louise Kloot, in the Faculty of Business and Enterprise at Swinburne University of Technology.

Thank you for agreeing to be part of this research. It is expected that you will benefit from participating in the study by gaining insights into your organisational practice and providing data that may result in enhancements to social policy. You and your organisation will be provided with a summary of the research findings at the end of the study.

The purpose of my research is to better understand the CSO process in terms of definition, costing, funding and the measurement of outcomes. Currently outputs are measured but we believe outcomes if we can define them would be a more meaningful measure of the success of CSOs. The tension which can exist between government and entities which provide CSOs will also be a focus of this research.

The interview questions have been forwarded. They are aimed at discovering what practices and approaches Statutory Authorities has adopted for CSOs.

Our in-depth interview may take up-to 1 hour and if agreed, the interview will be audio recorded with your consent (and I may make some written notes). The transcription will have no names of individuals, organisations, programs or locations to ensure anonymity, confidentiality and privacy for your self and others in reporting this study in my thesis and possibly other co-authored academic outputs.

The Informed Consent Form is attached to this letter. When we meet I will again explain the purpose and the protocols of this study, including your Informed Consent. However, if you have any questions before then, please feel free to contact me at Swinburne University (03) 9214 5180 or my supervisor Professor Louise Kloot on (03) 9214 8475.

I sincerely appreciate your agreeing to participate in this research and I look forward to sharing with you the results of this study.

Yours sincerely,

Grainne Oates

This project has been approved by or on behalf of Swinburne’s Human Research Ethics Committee (SUHREC) in line with the National Statement on Ethical Conduct in Human Research. If you have any concerns or complaints about the conduct of this project, you can contact: Research Ethics Officer, Swinburne Research (H68), Swinburne University of Technology, PO Box 218, HAWTHORN VIC 3122.

Tel (03) 9214 5218 or +61 3 9214 5218 or resethics@swin.edu.au
Appendix D: Ethics Permission Confirmation
SUHREC Project 2009/117 An investigation into Community Service Obligations in the Government Property Development Industry

Prof Louise Kloot, FBE; Ms Grainne Oates et al

Approved Duration: 01/06/2009 To 30/06/2010 [Adjusted]

I refer to the ethical review of the above project protocol undertaken on behalf of Swinburne’s Human Research Ethics Committee (SUHREC) by a SUHREC Subcommittee (SHESC4). Your responses to the review, as emailed by Dr Harfield on your behalf on 3 June 2009 were put to a delegate of the Subcommittee for consideration.

I am pleased to advise that, as submitted to date, the project has approval to proceed in line with standard on-going ethics clearance conditions here outlined. Please remember to forward to the Research Ethics Office for the record copies of letters of permission to involve external organisations.

- All human research activity undertaken under Swinburne auspices must conform to Swinburne and external regulatory standards, including the National Statement on Ethical Conduct in Human Research and with respect to secure data use, retention and disposal.

- The named Swinburne Chief Investigator/Supervisor remains responsible for any personnel appointed to or associated with the project being made aware of ethics clearance conditions, including research and consent procedures or instruments approved. Any change in chief investigator/supervisor requires timely notification and SUHREC endorsement.

- The above project has been approved as submitted for ethical review by or on behalf of SUHREC. Amendments to approved procedures or instruments ordinarily require prior ethical appraisal/clearance. SUHREC must be notified immediately or as soon as possible thereafter of (a) any serious or unexpected adverse effects on participants and any redress measures; (b) proposed changes in protocols; and (c) unforeseen events which might affect continued ethical acceptability of the project.

- At a minimum, an annual report on the progress of the project is required as well as at the conclusion (or abandonment) of the project.

- A duly authorised external or internal audit of the project may be undertaken at any time.

Please contact the Research Ethics Office if you have any queries about on-going ethics clearance, citing the SUHREC project number. Chief Investigators/Supervisors and student researchers should retain a copy of this email as part of project record-keeping.

Best wishes for the project.

Yours sincerely
I refer to your request to expand the above project to include additional organisations as per your email of today which was put to a Subcommittee delegate.

I am pleased to advise that, as submitted to date, the expanded project may proceed in line with ethics clearance conditions previously communicated and reprinted below.

Please contact the Research Ethics Office if you have any queries about on-going ethics clearance, citing the SUHREC project number. Chief Investigators/Supervisors and student researchers should retain a copy of this email as part of project record-keeping.

As before, best wishes for the project.

Yours sincerely

Keith Wilkins for
Kaye Goldenberg
Secretary, SHESC4
Appendix E: Consent Information Form

Project title: An investigation into Community Service Obligation (CSOs) in the Government Owned Sector of the Property Development Industry.

Researcher: Grainne Oates

Principal Investigator(s): Professor Louise Kloot

1. I consent to participate in the project named above. I have been provided a copy of the project information statement and this consent form and any questions I have asked have been answered to my satisfaction.

2. Please circle your response to the following:
   
   I agree to be interviewed by the researcher   Yes No
   I agree to allow the interview to be recorded by electronic device   Yes No
   I agree to make myself available for further information if required   Yes No

3. I acknowledge that:
   
   (a) my participation is voluntary and that I am free to withdraw from the project at any time without explanation;
   (b) the project is for the purpose of research and not for profit;
   (c) my anonymity is preserved and I will not be identified in publications or otherwise without my express written consent.

   By signing this document I agree to participate in this project.

   Name of Participant: .................................................................

   Signature & Date: .................................................................
## Appendix F: Data and frequency table of Alpha stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Number of times mentioned</th>
<th>% Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>80</td>
<td>45%</td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minister</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parliament</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonwealth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>47</td>
<td>27%</td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property council</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing industry association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban development institute of Australia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People (developers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>20</td>
<td>11%</td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public tax payer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>10</td>
<td>6%</td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasurer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Board/executive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairperson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive team</td>
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</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>5%</td>
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<tr>
<td>Includes</td>
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</tr>
<tr>
<td>Superannuation funds</td>
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<tr>
<td>Project review panel</td>
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<td>Valuer General</td>
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<td>Government Land Monitor</td>
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<td>Economists</td>
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</tr>
<tr>
<td>Total</td>
<td>177</td>
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## Appendix G: Data and frequency table of Beta stakeholders

<table>
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<tr>
<th>Stakeholders</th>
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<th>% Frequency</th>
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<tbody>
<tr>
<td>Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Includes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minister</td>
<td>23</td>
<td>25%</td>
</tr>
<tr>
<td>State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Includes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Builders</td>
<td>30</td>
<td>32%</td>
</tr>
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<td>Developers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Industry</td>
<td></td>
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<tr>
<td>Partners</td>
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</tr>
<tr>
<td>Building industry</td>
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<td></td>
</tr>
<tr>
<td>Development industry</td>
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<td>Industry groups</td>
<td></td>
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<tr>
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<td></td>
</tr>
<tr>
<td><strong>Includes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The market</td>
<td>22</td>
<td>23%</td>
</tr>
<tr>
<td>Householder</td>
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<td></td>
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<tr>
<td>People</td>
<td></td>
<td></td>
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<tr>
<td>General public</td>
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<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>6</td>
<td>6%</td>
</tr>
<tr>
<td>The Board (now representing Directors, CEO, chairperson)</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
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<td></td>
</tr>
<tr>
<td><strong>Includes</strong></td>
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<td></td>
</tr>
<tr>
<td>Superannuation funds</td>
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<td>10%</td>
</tr>
<tr>
<td>Pension funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI, Stakeholder investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Opposition</td>
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</tr>
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<td><strong>Total</strong></td>
<td>94</td>
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Appendix H: Data and frequency table of Gamma stakeholders

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<tr>
<td>Includes</td>
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</tr>
<tr>
<td>State government</td>
<td>60</td>
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</tr>
<tr>
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</tr>
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<td>Federal government</td>
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<td></td>
</tr>
<tr>
<td>Cabinet</td>
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<td></td>
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<tr>
<td>Government committee</td>
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<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property developers</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td>Lend Lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td>Community</td>
<td>15</td>
<td>12%</td>
</tr>
<tr>
<td>Includes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td></td>
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</tr>
<tr>
<td>People</td>
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<tr>
<td>Board</td>
<td>3</td>
<td>3%</td>
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<td>CEO</td>
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<tr>
<td>Department of Housing</td>
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<tr>
<td>Local council</td>
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<tr>
<td>Local development commission</td>
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<td>Department of Planning</td>
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<tr>
<td>Local shires</td>
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<td>Department of State Development</td>
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<td>Department of Commerce</td>
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<tr>
<td>Oil and Gas Industry</td>
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<td>Submarine Corporation</td>
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## Appendix I: Data and frequency table of Delta stakeholders

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<td>52%</td>
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<td>Departments</td>
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<tr>
<td>Cabinet</td>
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</tr>
<tr>
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<td>Commercial sector</td>
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</tr>
<tr>
<td>Lend Lease</td>
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</tr>
<tr>
<td>Delfin’s</td>
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<tr>
<td>The industry</td>
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<tr>
<td>The market</td>
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</tr>
<tr>
<td>Other</td>
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<td>Property Councils</td>
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<tr>
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<tr>
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<td>GD13</td>
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<td>P1</td>
<td>Coercive power</td>
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<td>P2</td>
<td>Symbolic power</td>
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<td>Urgency in the stakeholder theory context</td>
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<td>Predictive factor of strategic response - Legitimacy</td>
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<td>PF3</td>
<td>Predictive factor of strategic response – Multiple constituents</td>
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<td>Predictive factor of strategic response – Dependency on constituents</td>
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<td>Predictive factor of strategic response - Consistency</td>
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<td>PF6</td>
<td>Predictive factor of strategic response – Legal coercion</td>
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design', Management Accounting Research, vol. 21, no. 1, pp. 2-16.

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