

Modernising Management Processes in Elderly Care

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Abstract

This study investigates the process of modernising the management of elderly care services by using competitive contract tendering, referred to as CCT, for the first time in Finland. The conceptual approach is based on the framework of circuits of power. Data, based on document analysis, interviews, meetings observation and continuous interactions with key informants in their organisational settings, are from intensive field research conducted in a Finnish city from 2008 to 2013. Findings show that the process of introducing CCT to modernise management of public elderly care exposed that political decision makers and public managers lack professional skills to limit procurement risks in designing and implementing the CCT process. As a result, the total costs of using CCT to outsource aged care services became much higher than expected. A contribution is to show the ways in which modernisation of public services by using free market mechanisms, such as CCT, is a field of inter-organisational circuits of power whose outcome cannot be assumed to save costs to the community when political decision makers and public managers are incompetent and unable to think and act as business minded actors.

1. Introduction

This study investigates the process of modernising the management of elderly care services by using competitive contract tendering, referred to as CCT, for the first time in Finland. CCT is a private sector method of outsourcing goods and services that relies on competition between buyers and/or suppliers (Arlbjørn and Freytag 2012). CCT became mandatory in European Union (EU) countries in the mid 2000s after the adoption of an EU Directive nr 2004/18/EC. The directive requests member countries to modernise their public service management by operating competitively (Arlbjørn & Freytag 2012). Recent studies have shown however, that CCT does not always reach the expected outcomes of lower costs, higher quality and value for money in public sector organisations

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(Milne et al. 2012, Bergman & Lundberg 2013, Terje & Gisle 2008, Burger & Hawkesworth 2011, Whitford 2007). Gaps exist in the literature, examining how private sector organisations use their market power to influence the outcome of CCT in public sector organisations (Wallis et al. 2010). Power is the capacity of a person or organisation to influence the thoughts and actions of another person or organisation (Lukes 2005). Public sector decision makers include elected politicians and public managers with the authority to manage the daily activities of public sector organisations. The aim of this study is to address this gap in the literature, by analysing factors that can hinder the power of public decision makers to modernise the management of public services and save costs to the community by using CCT. The expected implication for practitioners and policy makers is to show ways in which using CCT to modernise management of public services cannot be assumed to improve the financial performance of the outsourced services.

The conceptual approach of this study is based on the framework of circuits of power suggested by Clegg (1989). Clegg (1989) has argued that power is not a one-way process based on the capacity to allocate resources, meanings and membership (Hardy 1996), but a multidimensional one in which power and resistance constitute many circuits (Clegg 1989). A circuit of power refers to a structure of power that is interrelated and has autonomous mechanisms to influence the thoughts and actions of holders of other circuits of power, or to control their outcomes depending on circumstances (Clegg 1989). The framework provides the conceptual tools to analyse how circuits of power among organisational members interact to shape organisational actions (Lapsley et al. 2011, Smith et al. 2010). This study argues that the strategic power of a private sector organisation forms a circuit of market power that interacts with the circuits of power of political decision makers and public managers in a CCT setting (Silva & Backhouse 2003).

The research question is: How do political and managerial circuits of power fail to prevail over the circuit of market power during the process of introducing CCT in a public sector organisation?

A field study was conducted in the public aged care of a city in Finland, referred to as the City, from 2008 to 2013. Data was gathered through document analysis, interviews, observations of meetings and continuous interactions with key informants in their organisational settings (Yin 2008). The City presented an interesting research site for this study because it had recently introduced CCT to outsource aged care services financed by public funds. The rationale behind the introduction of CCT was to save costs and improve the quality of public services. CCT replaced previous procurement methods based on direct negotiations with local providers of aged care. Because the process of competitive tendering was international, it introduced new circuits of market power into the local market, which confronted the political and managerial circuits of the City.

Research findings show that the process of introducing CCT to modernise the management of public elderly care, exposed the lack of professional skills for political decision makers and public managers to limit procurement risks in designing and implementing the competitive tendering process. As a result, the total costs of using CCT to outsource aged care services were much higher than expected. A contribution of this study is to show the relevance of analysing political and managerial decision-making in CCT as an arena of multiple circuits of power whose outcome can be detrimental to the financial performance of outsourced services. A practical implication is to question the relevance of modernising the management of public sector organisations by using sophisticated free market mechanisms, such as international CCT, when elected political decision makers and public managers are incompetent.

The next sections provide a review of recent literature on competitive tendering, the framework of circuits of power, and its operationalisation. They are followed by research methods, summary of findings, discussion, and the conclusion.

2. Competitive tendering and the framework of circuits of power

This section presents a review of recent competitive tendering studies and explains the framework of circuits of power, and its operationalisation.

COMPETITIVE TENDERING

Competitive tendering is open or selective. Open competitive tendering allows any person or organisation that complies with tendering criteria to submit a bid (Eriksson 2008). Selective competitive tendering restricts the right to submit bids to pre-selected persons or organisations. Pre-selection can be based on previous contractual relationships, market knowledge, professional reliability, financial credibility or political concerns (Eriksson 2008, Bergman & Lundberg 2013). This study focuses on open competitive tendering because it provides more information for the analysis of how CCT becomes introduced into a public sector market. Designing and implementing open CCT is a demanding and cumbersome process due to the workload required to develop criteria to evaluate and select bids (Bergman & Lundberg 2013).

Each EU country has implemented the 2004 EU directive differently, depending on national needs and realities (Gelderman et al. 2006). In Finland, the Public Procurement Act (2007), referred to as the 2007 Act, enacts all provisions of the EU directive as mandatory national law (Tynkkynen et al. 2012). Implementation of the EU directive at organisational level imposed new conditions for actions on public managers and political decision makers operating in local markets (Pirvu & Bâldan 2013). Differences between old procurement

practices and new ones require public managers to react professionally and skilfully in order to minimise procurement risks (Pîrvu & Bâldan 2013, Adedokun et al. 2013). Depending on contexts, public sector organisations can resist complying with legal requirements for competitive tendering, making it difficult for public managers operating in different sectors to learn from each other (Gelderman et al. 2010). Many studies have shown that competitive tendering can save costs in new markets in the short term (Burger & Hawkesworth 2011, Dylst et al. 2011). In the long term however, winners of competitive tenders can regroup into networks to maximise profits, leading to monopolies in local markets with negative effects on prices (Terje & Gisle 2008, Eriksson & Pettersson 2012) and quality of services (Rönnbäck 2012). Political decision-making processes also explain the failures of competitive tendering to achieve expected outcomes, because politicians often lack the expertise to deal with companies that have high standard selling strategies (Eriksson & Westerberg 2011, Whitford 2007, Adedokun et al. 2013).

THE FRAMEWORK OF CIRCUITS OF POWER

Power relationships among different organisational actors, such as public sector decision makers and private sector actors, form different circuits that can affect the inter-organisational process of introducing and implementing change (Ribeiro & Scapens 2006). Clegg argues that circuits of power are threefold: episodic, dispositional and facilitative (Clegg 1989). *Episodic circuits* represent the power to influence the actions of persons or organisations to act in an uncharacteristic way. (Clegg 1989). For example, the power of public managers and corporate executives to shape the agendas of meetings in which decisions to allocate resources are made, is episodic (Ribeiro & Scapens 2006, Lapsley et al. 2011). This study refers to the episodic circuit of power as a circuit of power of the City's public managers. *Dispositional circuits of power* represent the power to reward or punish, or to approve or deny something (Clegg 1989). For example, the power of judges to issue court rulings is dispositional (Clegg 2002). The power of politicians to approve the actions or suggestions of public managers is also dispositional (Lapsley et al. 2011). This study refers to the dispositional circuit of power as belonging to the City's elected politicians. *Facilitative circuits of power* represent dominance over production and innovation (Clegg 1989). For example, the ability to use ideology and ethics to influence the interpretation of rules, constitutes facilitative circuits of power that technical experts can use to resist or promote organisational change policy (Davenport & Leitch 2005, Backhouse et al. 2006, Silva & Backhouse 2003) and the outcomes of change (Smith et al. 2010). A business organisation with a dominant market position has facilitative circuits of power to take over competitors (Clegg 2002). This study identifies the facilitative circuit of power as a circuit of market power that belongs to local and international companies specialising in selling aged care services.

While episodic and dispositional circuits of power are essentially hierarchical, positions in facilitative circuits of power shift, depend on contexts and circumstances. For example, a minority government can co-opt opposition parties into the government to achieve a stronger facilitative circuit of power to obtain a majority vote on budgetary policies (Lapsley et al. 2011). Facilitative circuits of power are usually based on the ability to build networks and alliances and to use accounting information strategically in order to reach organisational goals (Carter et al. 2010, Davenport & Leitch 2005). When making a decision however, episodic, facilitative and dispositional circuits of power that have been activated, interact in the so-called obligatory passage point through which one of the circuits of power prevail over the others (Clegg 1989).

Critics argue that the framework of circuits of power is not helpful to analyse the pace and outcome of change when the circuits of power have passed through the obligatory passage point (Backhouse et al. 2006, Silva & Backhouse 2003). Pace refers to the time taken to implement a change, and outcome refers to the results of the change (Liguori & Steccolini 2011, Liguori 2012). For example, instrumental and ceremonial dichotomies can be used to analyse the outcome of the change. Revolutionary and evolutionary dichotomies can illustrate the pace of change. A ceremonial outcome occurs when the change process has not succeeded in changing the patterns of thoughts, actions and power relationships that the process of modernisation aimed to change (Bush 1987, Hyvönen & Järvinen 2006). In the opposite scenario, that is, when organisational actors have started to use the best available tools, skills and knowledge to solve the problems faced by an organisation in which the change has taken (or is taking) place, this outcome is instrumental (Bush 1987). This study tests instrumental and ceremonial outcomes by analysing whether public managers and political decision makers use sound accounting and operational information to minimise competitive tendering risks or not. The pace of the change process can be evolutionary, that is, progressive towards positive outcomes (Burns & Scapens 2000) or revolutionary, that is, radical and rapid but with no guarantee of achieving substantially better outcomes than the previous system (Bush 1987, Dillard 2002).

OPERATIONALISATION OF THE THEORETICAL FRAMEWORK

Operationalisation of the theoretical framework of this study has four steps. First, the relationship between episodic and dispositional circuits of power (Clegg 1989) in designing invitations to submit competitive bids and setting bid evaluation criteria is analysed. Second, the examination of the facilitative circuits in the CCT process follows. Third, the study analyses how political decision makers use their dispositional circuits of power to approve bids that public managers have selected, and how they conclude business contracts with winners of the CCT process. Fourth, the study analyses the pace and outcome of the CCT process from a financial critical approach.

3. Research method

This study uses the intensive field research method (Sayer 1992). With a purpose to contribute to theory, intensive field research offers multiple methods to collect data that discovers and corroborates how organisational actors think and interact with each other (Ahrens & Chapman 2006) and how circuits of power among them interact (Davenport & Leitch 2005, Backhouse et al. 2006).

The field study was designed to collect data showing relationships between inter-organisational circuits of power in introducing and managing events. An event is anything that takes place in the empirical field within the time frame of the research and has a relationship with the researched issues (Hedaa & Törnroos 2008). Data is based on interviews, document analysis, meeting observations and continuous interactions with key informants in their organisational settings (Yin 2008). Interview questions are developed to discover how events occurred in a particular setting and context and how actors reacted to those events.

Mechanisms that lead to an event may not be apparent or visible in the empirical field (Sayer 2000). For example, circuits of power are abstract concepts that cannot be observed or measured directly. To overcome this difficulty, data collection focused on how actors influenced the decision making of other actors (Smith et al. 2010) and the mechanisms political decision makers used to monitor and approve the decisions of public managers (Murray 2009). Meeting observations and interviews with key informants helped to identify and understand relationships among episodic, dispositional and facilitative circuits of power in decision-making processes taking place during the CCT process. Information from document analysis provided the tools to analyse the obligatory passage points in evaluating bids and concluding business contracts with competitive winners. The study used the test of instrumental and ceremonial outcomes by analysing critically whether the rationale behind the actions of public sector decision makers was to protect their status and power relationships at the expense of the costs of aged care services (Bush 1987). Revolutionary and evolutionary paces were analysed by using a chronological approach to examine the timeframe of implementing the CCT process and its outcomes.

Interpretation of the data sought to discover the meaning that field actors gave to their actions and why. To this end, the researchers reconstructed the basic conditions leading to events that took place in the organisation analysed (Danermark et al. 1997). For example, the data analysis focused on why, how, when and where an event occurred and was approved, while under similar conditions but in different circumstances, another did not. Analysis also focused on how public managers documented and reported cause and affect relationships to political decision makers (Page 2004, Roberts 2002).

In using these methods, this study overcomes the difficulties of prior similar research based on longitudinal case study and action research (Silva & Backhouse 2003, Backhouse et al. 2006, Davenport & Leitch 2005).

The City was chosen as the research site because it provided first-hand data about how it implemented competitive tendering for aged care services since late 2007. Knowledge of the local market, the possibility of interacting with political decision makers, local entrepreneurs and the media during the CCT process and beyond, are practical and methodological factors that also influenced the choice of the City.

As with other municipalities in Finland, the City has local governance autonomy and an obligation to provide care for the elderly using public funds (Tynkkynen et al. 2012). Political leaders at different hierarchical levels of the City are elected democratically for a four-year term. *The council* is the highest political governing body; it sets the governance policies of the city and approves its budgets and annual financial reports. *The audit board* is the second political body that monitors the decisions and actions of public managers in their organisations. The audit board prepares and submits an annual audit report to the council, expressing opinions on whether the official annual financial reports should be approved or not. The audit report is part of the City's annual financial reports. *The executive board* is the third political body. Its role is to monitor the implementation of council decisions.

Each City department, such as education, social and health care, public infrastructure, and logistics is run by an elected political board reporting directly to the executive board. Daily management of the City's affairs is delegated to public managers appointed by the mayor on approval by the council. The council appoints the mayor. Public managers are accountable to the political boards and issue regular reports to them.

The City's financial stability depends on local tax revenues, in addition to state subsidies that the central Government allocates on a per capita basis every year (Häkkinen & Lehto 2005). The social and health care boards' budget varies between 40% and 50% of the City's budget. The board has regularly overspent its budget. Overspending a delegated budget is a managerial and political hot issue, because the Municipal Act (1995) requires a balanced financial situation in each municipality within a four-year period corresponding to the term of elected political leaders (Vinnari & Näsi 2008).

Until the end of 2007, the procurement of aged care services was based on direct negotiations with local health care organisations in the City. The City negotiated price levels with each provider once a year. Because of the increasing costs of social and health care services and the relative decrease of municipal tax revenues, local politicians put considerable pressure on the director of social and health care services to look for ways to outsource aged care services at an affordable cost. The director believed that the implementation of competitive tendering for aged care services would introduce market prices and save costs. The Public Procurement Act, effective June 1, 2007, enforcing the EU directive on mandatory competitive tendering, provided a

legal basis on which to institutionalise competitive tendering for aged care services.

Data collection began with document analysis in 2008. Analysis concerned the legal framework of the 2007 Act; minutes of social and health board meetings, budgets and financial reports of the social and health care department and the consolidated financial reports of the City. The aim was to understand the relationship between planned costs and actual expenditures and how social and health care public managers explained their decisions and actions to the social and health care board. One of the authors observed four meetings of the social and health care board during 2009–2011, in which decisions regarding the procurement of social and health care services were discussed, made or approved. These meetings revealed the relationship between episodic and dispositional circuits of power among public decision makers.

To analyse the role of episodic, dispositional and facilitative circuits of power in the CCT process, the researcher interviewed the director of social and health care, the manager of aged care services, the chairperson of the social and health care board, the internal auditor, the external auditor, two members of the social and health care board, and a member of the audit board in charge of monitoring the activities of the social and health care board. Facilitative circuits of power of competitive bidders were analysed along with strategies that public managers used to evaluate competitive bids, and how information that successful bidders provided to the city complied with bid evaluation criteria. To increase the validity of the data, the researcher discussed competitive tendering with a City's lawyer and an independent specialist in Finnish competition under social and health care law. To analyse relationships between the pace and outcome of the CCT process, one of the authors regularly observed meetings of the audit board from 2009 to 2013. The audit board invited all public managers, including the mayor, chief financial officer, chief planning officer, a new procurement manager, administrative head, technical head, and the head of human resource management to explain the reasons for their actions in planning and using the budgets of their units or departments, how they reached their operational goals, outsourcing systems and outputs, and challenges faced when trying to avoid overspending their budgets. Interview material and information gathered from meeting observation were used to analyse how the budgetary and financial reports of each unit are used as instrumental or ceremonial tools to manage public services competitively.

To critically analyse alternative ways that the City could outsource aged care services from private organisations, interviews with chief executive officers and the heads of the executive boards of two organisations that specialise in aged care, as well as four members of the executive board of one of the organisations were used.

An interview with a member of the Finnish Parliament and analysis of a national TV broadcast were used to understand the political impact of facilitative circuits of power of multinational health care companies that have established business networks in Finland since 2007. Participation in meetings lasted around 60 hours. Recorded interviews lasted about 17 hours. Continuous contacts with interviewees improved the understanding of the data and its interpretation (Sayer 1992, Yin 2008).

4. Summary of findings

The CCT process began towards the end of 2007 when the City called internationally for competitive bids. More than 10 local organisations and a multinational company responded. In early 2008, the social and health care board approved the proposal of the social and health care director and the manager of aged care services to select a multinational company and a local organisation as tender winners, and to conclude five-year service contracts with them effective from 1 January 2009. A local company whose offer was rejected initiated legal proceedings against the city for unfair competition. However, this claim was later amicably withdrawn.

Meanwhile, the multinational company that won the tender lacked building and health care personnel in the city. Consequently, a company that formed part of the business network of the multinational company built a new aged care centre in the city. When building activities were almost finished two years later, the multinational company and its business network company used their operational dominance to negotiate additional contracts with the city to rent and maintain the new building. The new arrangements were not part of the competitive tendering process and had not been planned for in the City's budget. Public managers explained to the social and health care board however, that additional contracts were necessary to best serve the interests of the elderly. The board approved the additional contracts.

As a result, the total costs of services that the City purchased from the multinational company and its business network were much costlier than the services provided by local companies. At local and national levels, politicians and the media critically questioned the relevance of using private sector methods, such as competitive tendering, to outsource welfare services, including public aged care. Critics argued that selecting foreign multinationals that do not pay tax on profit in Finland as competitive bidders, overlooks the need to promote local entrepreneurs who provide reliable quality services to the elderly at reasonable prices and pay tax on any profit in Finland.

5. Discussion

Confirming the framework of circuits of power (Clegg, 1986), episodic and dispositional circuits of power between political decision makers and public managers, interacted with the facilitative circuits of market power in the obligatory passage point of introducing CCT in the City. The financial outcome of introducing CCT became detrimental to the total costs of aged care services however, because public managers and political decision makers were incompetent and unable to limit procurement risks arising from the facilitative circuit of power of an international business organisation that won the tender.

THE PACE OF CIRCUITS OF POWER IN DESIGNING AND IMPLEMENTING CCT

Public managers were under political pressure to reduce costs of outsourcing aged care services when the CCT process started. A member of the social and health care board explained:

... The problem was that our board's budget was not enough to cover the costs of outsourced aged care services ... local providers of these services kept raising their prices ... Negotiations with local organisations were hard ...

Entry into force of the 2007 Act introduced coercive pressure into the City to modernise the management of public aged care services by using competitive tendering (Wallis et al. 2010). The coercive pressure gave authority and legitimacy to elected politicians and public managers to start a revolutionary change (Bush 1987) by abandoning the outsourcing of the aged care services through direct negotiations with local organisations. The director of social and health care explained:

... According to the new public procurement law, it was compulsory for us to organise competitive tendering of aged care services ... Direct negotiation with key service providers has become illegal ...

The legal obligation to operate competitively and political pressure to cut costs of public aged care services gave public managers a stronger episodic circuit of power, based on the power to attribute a practical meaning to the new law (Clegg 1989). Public managers used this circuit of power to influence the agenda of a meeting in which a decision to launch CCT process was made in the late 2007. A board member explained:

... Public managers convinced our board that competitive tendering was mandatory... I opposed it myself ... but was in the minority ...

The manager of aged care services confirmed this finding:

... There was a lively debate in the board meeting including voting... However, our proposal to start the process of competitive tendering prevailed ...

The event of voting illustrates the confrontation between episodic and dispositional circuits of power among public managers and political decision makers in which a decision to modernise the management of aged care services by using CCT took place. In the City, the episodic circuit of power of the public managers prevailed. Previous studies have shown that political decision makers use their dispositional circuit of power to attribute meaning to the actions of organisational actors (Smith et al. 2010, Lapsley et al. 2011). This study argues that in addition, the power to attribute meaning can be symbolic in political settings dominated by episodic circuits of power of public managers when the episodic circuit of power is based on a legal argument.

When the formal political decision to modernise the management of aged care services by using CCT was taken, the incompetence of public managers to design and implement an open competitive tendering process on a large scale, by inviting and evaluating bids from any company operating in the EU zone, started to surface. The manager of aged care commented:

...When the ... board made a decision to start ... competitive tendering... technical aspects were not an issue ... However, I had no toolbox ready for use ... I had no previous background ... in this specific matter ... We were simply not ready ...

The director of social and health care confirmed:

... My colleagues and I have substantive expertise in social and health care management ... but not in organising competitive tendering in this field ...

The incompetence of the public managers explains the technical weakness of their episodic circuit of power during the early stages of introducing CCT to the City. Previous studies have shown that organisational actors who want to launch an organisational change process need to know what they want to change and how thoroughly they want to change it practically (Coyte et al. 2010, Liguori 2012). Public managers in the City failed to meet these criteria. For example, the aged care service managers did not know how to set and measure the quality standards of services that they wanted to outsource. The director of social and health care explained:

... There are ... so many laws and recommendations ... about quality of health care services ... We have to consider all of them ... But what is quality? ... and how do we measure it? ...

Previous literature has shown that organisational members at different hierarchies are likely to resist the change when they realise that they do not have enough skills to fulfil the new duties as expected by hierarchy (Backhouse et al. 2006, Silva & Backhouse 2003). Resistance to change did not happen at the City's top organisational level, however, because the political decision makers with a dispositional circuit of power to approve or revise the actions of the public managers were not aware of the public managers' incompetence to design and implement open competitive tendering appropriately. The head of the social and health care board explained:

... Our board made the decision to organise competitive tendering. After this the public managers in charge ... had the duty to organise the implementation of this decision ... We expected them to do this correctly ...

Uncertainty in setting CCT standards weakened the public managers' episodic circuits of power to design a tendering process that minimised procurement risks (Kotabe & Mol 2009). The manager of aged care services confirmed that they could not use the City's management accounting and control systems to set cause and affect standards between price levels and quality of services among bid evaluation criteria (Bergman & Lundberg 2013). For example, the process of evaluating a bid was based solely on information submitted by bidders, rather than pre-defined benchmark standards that the bids should reflect. The manager of aged care services explained:

... My colleagues and I used a model developed on an Excel worksheet to evaluate bids... We assigned a grade to each evaluation criterion ... such as aged care price levels, service quality standards, daily costs for feeding an elderly person and monthly rent for an apartment in which an elderly person will stay ...

In consequence, public managers decided to choose bids that offered the lowest costs to the City. The manager of aged care services explained:

... A company that offered the lowest cost for aged care services could obtain maximum points on this criterion ... that is 60% of all other criteria ... quality standards accounted for 20% ... rent and feeding costs accounted for 20% ...

Evaluation criteria confirm that the aim of using CCT to modernise the management of aged care services in the City was to obtain the lowest cost services. Although evaluation of quality standards was subjective, it permitted a company that is well informed about how to design an appealing bid to obtain 20% of the total evaluation points. An audit board member commented:

... The question is about how a company ... that had no personnel, workshop or building in the city could obtain maximum grades on quality standards ... Local companies with established workshops and good quality services did not ...

The manager of aged care services responded:

That company has workshops somewhere else in Finland ... and abroad ... and quality certificates ... There was no reason we should give it lower grades on quality.

This finding suggests that a company that had good skills in designing a bid offering the lowest costs to the City and promising quality services could use this bid strategically as a facilitative circuit of power (Smith et al. 2010) to win the tender. Winning the tender in this way means that the facilitative circuit of power of the winning bidder has prevailed in the obligatory passage point (Clegg 2008) over episodic and dispositional circuits of power of public decision makers during bid evaluation.

This study argues that a facilitative circuit of power can be strong enough to prevail in obligatory passage points on the basis of well-defined promises rather than actual financial performance and the quality of services in practice (Clegg 1989). The director of social and health care commented:

... A multinational company can afford hiring the best experts to write a bid that outperforms the bids of local companies ... We have to consider what is written in bids during bid evaluations ...

As a consequence, in contrast to previous literature, a facilitative circuit of power does not necessarily need to be based on techniques of production or innovation (Ribeiro & Scapens 2006) but can be based on how an organisation uses its strategic power (Carter et al. 2010) to enroll holders of episodic and dispositional circuits of power into a strategic agreement (Lapsley et al. 2011).

OBLIGATORY PASSAGE POINT AND OUTCOME OF CCT

Selected bids led to the conclusion of competitive tender contracts for aged care services between the City and two private sector organisations, one local and one multinational. The manager of elderly care explained:

We selected two bids as winners ... and made a proposal to our board to approve them ... There was a lively debate in the board ... but they approved our selection ...

After approving the selected bids, political decision makers delegated authority to conclude formal contracts to public managers. Contract formalisation is a major step in which buyers and sellers can set mechanisms to minimise

procurement risks that were not foreseeable during competitive tendering (Eriksson 2006). The internal auditor commented:

... The risk was that our public managers and political decision makers were not aware of what they were doing ... and what they needed ... They have no skills to deal with competitive tendering contract issues... that involve multinational business organisations ...

Delegation of authority to public managers, did not increase their episodic circuits of power to limit competitive tendering risks in concluding procurement contracts, because of their lack of professional skills to use appropriate management accounting and control systems in the CCT process (Davenport & Leitch 2005, Ballesteros-Pérez et al. 2013). As a consequence, the multinational organisation used its operational dominance based on high standard skills in business contracting as a new facilitative circuit of power (Clegg 1989) to dominate its business relationship with the City. The internal auditor explained:

... A mistake that the city made was to not ask competitive bidders to include information about additional costs other than taking care of the elderly and feeding them ... such as costs for maintaining the building of the aged care centre, ... cleaning and heating indoor spaces that the elderly use in common ... and who was going to pay for them ...

The audit board member gave further comments:

... All local companies that submitted bids included building maintenance costs and costs of heating and cleaning common places in the building in monthly rents charged to the elderly ... The multinational company did not do this because the invitation to submit bids did not specify this detail ...

Not including all the costs that are necessary to provide basic care services to the elderly allowed the multinational company to offer lower prices for aged care as a strategy to win in competitive tendering. When the main contract for aged care was concluded, the City was obliged to conclude additional contracts to rent and maintain a new aged care building centre belonging to a business network of the multinational company. A board member commented:

... Our board had no other choice but to conclude additional contracts to rent and maintain that building so that the elderly could live there ... at affordable costs for them ... The city pays additional charges ... to the owner of that building ...

The internal auditor confirmed that the total costs of the aged care package that includes the main contract of aged care and additional contracts concluded

with the multinational company and its network organisations are costlier than contracts concluded with local organisations. This finding shows that although the decision to modernise the management of elderly care services by using CCT was revolutionary (Bush 1987, Wolfram 2012), its substantial outcome remained ceremonial (Bush 1987, Hyvönen and Järvinen 2006).

A board member explained:

... During the board meeting in which we approved these additional contracts ... board members did not really know what else to do ... It was like ... we cannot do anything else but approve ...

Not having any other option but to approve the mistakes of the public managers shows that the dispositional circuit of power of the political decision makers was also ceremonial (Bush 1987) in concluding business contracts with the multinational organisation. An alternative solution would have been to use legal means to cancel the main contract with the multinational organisation. Cancelling the main contract would have activated instrumental financial performance potentials of an open competitive tendering (Ballesteros-Pérez et al. 2013). Political decision makers and public managers declined to litigate, however, because it was not clear if the City would have won the claim. A board member commented:

Politicians ... and public managers ... do not like to be told that they have acted wrongfully ...

The audit board member gave further clarification:

... The city's lawyer is not expert in competition law ... and in business litigation ... That is why our annual audit report recommended that the city opens a new position for a procurement manager with legal training in competitive tendering ...

From a critical perspective, the ceremonial outcome is a result of using inadequate management accounting and control tools, and inappropriate skills to design and implement competitive tendering that can minimise procurement risks (Eriksson 2008). Episodic and dispositional circuits of power among public decision makers failed to counteract the facilitative circuits of power that the multinational company used to dominate its new business relationship with the city. This finding provides additional elements that explain why the modernisation of public services by using private sector procurement methods, such as open competitive tendering, often fails to deliver expected outcomes in the public sector (Barton 2006, Roberts 2002, Page 2004, Diggs & Roman 2012).

6. Conclusion

The aim of this study was to analyse factors that can hinder the power of public decision makers to modernise the management of public services and save costs to the community by using CCT. The research question was how political and managerial circuits of power fail to prevail over the circuit of market power during a process of introducing CCT in a public sector organisation. The empirical part of the study was based on intensive field research conducted in a Finnish city, referred to as the City, from 2008 to 2013. Data was gathered by document analysis, interviews, observation in meetings and continuous interaction with key informants in their organisational settings.

Confirming the framework of circuits of power (Clegg 1989), research findings show that political and managerial circuits of power failed to prevail over the circuit of market power during introduction of CCT in the city, because public decision makers lacked professional skills to design and implement a competitive tendering process that minimise procurement costs proactively. Professional weaknesses of public managers to deal with international outsourcing contracts, offered opportunities to a multinational business organisation to use its technical know-how strategically by offering the lowest price levels as a facilitative circuit of power to prevail in obligatory passage points (Clegg, 1989). The multinational organisation had designed its offer in such a way, however, that it required the City to purchase additional exclusive services afterwards at a higher cost than expected. This study argues, as a result, that although the process of using CCT to modernise the management of elderly care services in the City was revolutionary (Bush 1987), its financial performance outcome was ceremonial (Hyvönen & Järvinen 2006).

A theoretical contribution is to show the ways in which modernisation of public services by using free market mechanisms, such as CCT, is a field of inter-organisational circuits of power (Clegg 1989, Carter et al. 2010) whose outcome cannot be assumed to save costs to the community when political decision makers and public managers are incompetent and unable to think and act as business-minded actors. A major practical contribution is to explain how and why the event of saving costs to the community by using CCT never took place as expected in the City.

As in any other field study, the empirical findings of this study cannot be generalised directly to other organisations. Its theoretical framework can be applied validly in other studies. Strategies through which public sector organisations can use CCT to save the increasing costs of public services merit further research.

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