Explaining changes to the annual reports of an Australian Commonwealth Department 1941-1998: A research proposal

ABSTRACT Despite the pace of change to Australian public sector administration and service delivery, the literature concerning annual reports of public sector departments has not provided an account of the changes to the thematic content of reports, nor has it provided explanations that take account of the variety of societal, political and economic factors that may impact annual report content. The purpose of this study is therefore to identify changes in the thematic content of the annual reports of the Department of Social Services/Security (1941-1998) and, by using the social theory of Habermas (1976) – ‘Legitimation Crisis’, to provide an explanation for the changes in that content. The term ‘thematic content’ refers to the topics of discourse and discussion that can be identified within the annual reports.

SYNOPSIS OF LITERATURE – According to Considine (2001), Guthrie et al. (2003), Funnell and Cooper (1998) and Hughes (1998), the Australian Public Sector (APS) has been through considerable change during the period 1941-1998. These changes have included the expansion of government services in the 1970’s and the move to the ‘New Public Management’ paradigm in the 1980’s and 1990’s. The result of these reforms is that the APS has evolved from a rigid, ‘procedural’ apparatus to one that has embraced wide ranging market oriented reforms. These reforms have included the devolution of authority and accountability to lower levels of management, the move to a focus on outputs and outcomes rather than inputs, the use of contracting mechanisms rather than rules, as well as the adoption of accounting and reporting techniques from the private sector.

The literature concerning the development of annual reports tells us that annual reporting by Commonwealth Government Departments was not commonplace until the late 1980’s and that in 1958 only four Commonwealth Departments prepared annual reports (Wettenhall, 1999). The literature also reveals that annual reporting by public sector departments in the early 1990’s was criticised for being inadequate, irrelevant and lacking comparability (JCPA, 1993) and that reports were not scrutinised by MP’s (Parker and Guthrie, 1993). Following from these findings, a variety of requirements have been implemented including the move from cash based accounting to accrual accounting, the development and application of the Australian Accounting Standards for the public sector (Guthrie, 1998), and recognition of the need to report performance information linked to stated goals and objectives (Lee, 2008). There remains, however, a considerable amount of the content of reports that is determined by preparers (Ryan, Stanley & Nelson, 2002). It has also been identified by Mack and Ryan (2007) that the format of annual reports is now essentially the same as for private sector reports. The goal of these reporting changes has been to provide enhanced external accountability through the provision of information that better reflects the performance, position, efficiency, economy and effectiveness of the public sector.

While some studies have examined the content of public sector annual reports over extended periods, such as Cameron and Guthrie (1993), they have not provided coherent, theoretically informed explanations for the changes identified. This issue has been the primary motivation for the proposed research. Similarly, other studies that have involved the use of theory, such as Ryan et al. (2002) have only examined selective sections of content rather than the annual report as a whole.

Furthermore, the literature also reflects debate regarding public sector annual reporting. Ryan (1998) and Mack and Ryan (2006) have argued that the new ‘decision usefulness’ framework for public sector reporting, as adopted from the private sector, does not fit with the desires of public sector report users who utilise the reports for stewardship and accountability purposes. Other studies, such as Coy et al. (1997), have identified a lack of demand for public sector annual reports, while Lee (2008) reported that preparers of annual reports were not comfortable with the quality of the performance information being published. In other words, the ‘reformed’ annual reports are not necessarily seen as an improvement or positive development. These areas of debate raise questions about the reasons for the changes that have taken place and hence the need for a more theoretically coherent explanation for observed changes.
RESEARCH QUESTION/OBJECTIVES The primary research questions are:

a) How has the thematic content of the annual reports of the Australian Commonwealth Department of Social Services (1941-1972) and the Commonwealth Department of Social Security (1972-1998) changed/developed over the period 1941-1998

b) Why has the thematic content of the reports changed in the manner exhibited?

The objective of the first question is to address a notable gap in the literature which relates to the absence of studies designed to analyse the content of an Australian Commonwealth Government Departments’ annual reports over a significant period of time. The objective of the second question is to coherently explain the reasons for changes in annual reporting behaviour in a manner that takes account of political, social and economic factors. Such explanations are also missing from the relevant current literature.

METHODOLOGY – The methodology to be used for this study can be classified as a “New History” (Fleischman, Mills & Tyson, 1996, Carnegie and Napier, 1996) or as an ‘alternative’ accounting study (Chua, 1986). New histories reject the assertion that historical facts are capable of speaking for themselves, and instead embrace and explicitly acknowledge subjectivity. New histories are reliant on interpretations of historical data and also often involve social theory as a theoretical lens through which to make interpretations. New histories seek to answer ‘why’ historical events have occurred, as opposed to strictly investigating ‘what’ has happened. New history is therefore a suitable methodology for this proposed study as it links appropriately with the research aims and research questions. Examples of studies of this nature include Tinker and Neimark (1987) and Miller and O’Leary (1987).

The theoretical lens to be used for the purposes of the study is Legitimacy Crisis (Habermas, 1976). Habermas (1976) argues that Western Capitalist societal structures are comprised of a socio-cultural system, a political administrative system, and an economic system, and that each of these systems are linked. Habermas (1976) asserts that there are four potential possibilities for crisis emanating from this arrangement: economic, rationality, legitimacy and motivation (Dillard and Yuthas 2006). The causes of economic crises are believed to be due to the inherent instability of the economic system. Rationality crises develop when the administrative system is faced with conflicting goals (rationalities) which stem from the need to sparingly derive tax revenues from the economic system while providing for the unlimited demands emanating from the socio-cultural system. This lack of apparent rationality in the operation of administrative systems may lead to a loss of legitimacy (legitimacy crisis) from the perspective of the socio-cultural system when needs are not met and the economy continues to be unstable (Rahaman, Lawrence & Roper, 2004). This may then be followed by a lack of motivation (motivation crisis) on the part of the socio-cultural system to continue to provide its resources to the economic system. Habermas cites the ‘death of the protestant work ethic’ as an example of a ‘Motivation Crisis’. Habermas (1976) argues that while each of these crises can be dealt with, dealing with one crisis will lead to increased potential for the occurrence of another type of crisis. Examples of accounting studies involving this theory include Rahaman, et al. (2004), Watkins and Arrington (2005) and Dillard and Yuthas (2006).

The choice of theory can be justified for a number of reasons. Firstly, Legitimation Crisis is a theory of societal evolution, making it relevant to this proposed study since the study will cover a period of 57 years during which significant reform has occurred within the APS. Furthermore, the theory specifically provides an explanatory framework for the interactions between the state, the economy and society. In other words, it attempts to explain why capitalist economies, administrations and societies behave in certain ways and suffer certain problems. Further, the theory specifically identifies welfare as a mechanism through which economic crises may be dealt with by government as well as the need for governments to derive legitimacy from the socio-economic system (annual reporting may be one means of deriving this legitimacy). Also, authors such as Guthrie et al. (2003) have noted that there is a need for research in the public sector that takes account of broader societal, political and economic factors. This theory provides a framework for so doing.
DATA COLLECTION & ANALYSIS - The proposed study will be performed using thematic content analysis of annual reports of the Department of Social Services/Security (1941-1998). Most of the reports will be sourced from the Truskett Library at Charles Sturt University (CSU), Bathurst. The Library’s collection of these annual reports is incomplete and hence further investigation of other possible sources for obtaining the missing reports will be necessary. There are comprehensive lists of archives containing the reports at www.publications.gov.au and the library at CSU, Wagga Wagga is listed as another potential source. Following data collection, the reports will be subjected to a thematic content analysis for latent as well as manifest content (Minichiello, 1990).

The first reading of the reports will be performed on a sample of reports selected from the middle of each decade, thus resulting in six reports being initially examined (i.e. 1945, 1955, 1965, 1975, 1985 and 1995). This phase of the analysis accords with what Cavana et al (2000) refer to as ‘open coding’ – the objective being to identify an initial series of themes and sub-themes, both manifest and latent. Manifest themes are derived from what the author actually says, while identification of latent themes involves analysis and interpretation of the underlying message the author is trying to convey or project (Minichiello, 1990). Constant comparative analysis (Cavana, et al., 2000) will be used to identify themes and sub-themes evident within the latent and manifest content of these sample reports.

Following the open coding phase, the sample of reports will be subject to a similar thematic content analysis which is informed by Habermas (1976). Subsequent to this analysis an attempt will be made to categorise the array of themes and sub-themes derived inductively from the sample of reports according to a series of themes derived from Habermas (1976) - thus Habermas (1976) will provide the primary themes while the themes derived from the text provide sub-themes. Manifest content will play a key role in this phase of the study, as is typical of ‘new’ accounting histories.

Following this categorisation phase, a set of primary themes and sub-themes will be available for use in the second reading of the reports, involving all of the content of all of the reports across the 1941 to 1998 period. This phase will also allow for the inclusion of any further emergent themes evident from the analysis and these themes will be categorised in a manner similar to that used for the initial sample of reports. The results and findings of this analysis will address research question a). The content of the annual reports will be coded manually on photocopies of the reports, using marginal notation, according to the relevant themes. A database will also be utilised to arrange the data for each annual report and which will contain a list of primary and sub-themes and where they are evidenced (by page number) within the annual reports. This database will merely be a visual aid for the third reading and for the writing-up of the research.

The third reading for this study is referred to by Neuman (1997) as ‘axial coding’. This reading will involve assessing, reviewing, examining and developing the themes derived during the first and second readings. According to Cavana et al. (2000, p.174) this means that “the researcher investigates causes and consequences, conditions and interactions, strategies and processes and looks for categories and concepts that cluster together”.

This phase is reliant on researcher judgment as themes that are related may be combined or, alternatively, some themes may be split. The aim of this phase of the study will be to see if the themes derived in the first and second readings can be arranged in a way that meaningfully adheres to the content of Habermas (1976). In other words, this phase will attempt to discover whether causes, consequences, conditions, interactions, strategies and processes of the themes can be meaningfully explained by Habermas (1976), thus answering research question b).

Cavana et al. (2000) discuss the need to elucidate the ‘rules of inclusion’. They also state that these rules should be based on internal and external heterogeneity. Such rules are of particular importance for this study due to its inherently subjective nature and, therefore, the rules for inclusion will be addressed during each reading of the data. Specific instances of data (quotes) that support the rules for inclusion will be identified as examples to illustrate where and how the reports adhere to a relevant
theme or where Habermasian theory (1976) can be used to explain certain thematic relationships. This use of data to support the rules of inclusions is referred to by Neuman (1997) as ‘selective coding’.

Once this phase is completed the themes from the reports will be organised in such a manner that their development can be informed by the theories of Habermas (1976), leading into the final phase of the research, which will be to write-up the results. At this stage in the research, Habermas (1976) will once again be used. As discussed by O’Dwyer (2004), there is no universally accepted form for writing-up qualitative research, but one of the alternatives is to “focus on a process akin to narrating a short story clustered around an analytical theme” (O’Dwyer, 2004, p. 403). O’Dwyer (2004, p. 403) illustrates this process as follows: “I merely used this theme as a lens that enabled me to narrate the intricacies, intrigue, contradictions, diversity and puzzling nature of the perspectives emanating from the preceding descriptive analysis”.

As with the phase between the first and second readings, the analytical themes will be derived from Habermas (1976). Using the tables derived from database produced from the second reading and from the original source material, the narrative will focus firstly on how the thematic content has changed during 1941-1998, thus answering the first research question. Following from this, the write-up will apply Habermas (1976) to the database resource and the coded source data to provide a thematic basis for presenting a critical historiography that explains why the annual reports have changed in the manner evidenced, thus answering the second research question.

REFERENCES